LIFE INSURANCE REGULATORY FRAMEWORK IN INDIA

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Life Insurance Contract

- Life insurance is a financial contract between an individual (the **policyholder**) and an insurance company, where the insurer agrees to provide a designated sum of money (the death benefit) to **beneficiaries** upon the death of the **insured** person.
- The **policyholder** is the individual who purchases the life insurance policy from the insurance company. This person is responsible for paying the premiums to keep the policy in force.
- The **insured** is the person whose life is covered by the life insurance policy. This is the individual on whose life the insurance is based.
- The **nominee**, also known as the **beneficiary**, is the person or entity chosen by the policyholder to receive the death benefit in the event of the insured's death.

Nominees

- The beneficiary is the person or entity who will receive the funds or benefits in case of an event, such as the account holder's demise. The beneficiary is entitled to claim the funds or assets and has a legal right to them.
- A nominee, on the other hand, is a person designated by the account holder to receive the assets or funds in the event of their death. The nominee acts as a trustee and holds the assets or funds on behalf of the legal heirs of the deceased account holder.
- Under the Insurance Laws (Amendment) Act of 2015, immediate family members such as your spouse, children, or parents are entitled to receive the claim amount as a beneficial nominee. It means they have the right to claim the death benefit over any other legal heir.

Various Life Insurance Types

- **Term plans:** This life insurance policy is for a specific period. The person's family will receive the claim amount if they pass during that period. However, they won't get anything if the person survives past the policy term.
- **Whole Life Plans:** Whole life insurance guarantees payment of a death benefit to beneficiaries in exchange for level, regularly-due premium payments.
- **Endowment Policy:** This policy also covers a specific period. The holder's family gets the money if they pass within that period. But, this policy will pay the money to the holder if they survive after maturity.

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Various Life Insurance Types

- **Unit-linked Insurance Policies**: These policies use the premium in two parts. It goes to the policy and to investments. A part is invested in equity or debt. The family receives the total amount after the holder's death.
- **Money-back Policies**: These policies offer the holder a part of the claim throughout the period. It is the survival benefit. The holder gets the balance after the maturity period. The family gets the entire amount if they die.
- **Retirement Policies**: These policies provide fixed pension sums after one retires. The family gets the entire claim if they die.

History of Life Insurance in India

- Insurance Listed in the seventh schedule of constitution – Union List.
- 1818-Oriental Life Insurance Company-First Life Insurance Company in India-Calcutta –Established by Europeans -1834-Failed.
- 1829-Madras Equitable
- 1870- Bombay Mutual Life Assurance Society-First Indian Life Insurer.
- Insurance as protection against risks that might happen in the future, while Assurance is protection against events that are inevitable.
- 1912-Life Insurance Companies Act-First statutory measure to regulate life insurance business in India.
- 1928- Indian Insurance Companies Act was enacted - to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies.

History of Life Insurance in India

- 1938 –Insurance Act – To protect interest of policy holder and control activities of the insurers.
- 1956- Life Insurance sector nationalized –LIC formed- Absorbed 154 Indian, 16 foreign & 75 provident societies. LIC monopoly till 2000.
- 1993-setting up of RN Malhotra committee-to recommend reforms in insurance sector.
- 1999-IRDA constituted
- April 2000-IRDA constituted as statutory body.
- Authority has power to frame regulations under Section 114 A of Insurance Act, 1938

History of Life Insurance in India

- The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.
- 2000- Private Insurance companies allowed. Foreign companies allowed as Joint Venure-however, FDI limit was 26%.
- 2014-FDI limit raised to 49%
- 2021-FDI limit increased to 74%

Paid Up Capital

EQUITY SHARE CAPITAL OF LIFE INSURERS

(₹crore)

S.No.	Insurer	As on March 31, 2021	Infusion during the year	As on March 31, 2022	Indian Promoter	Foreign Investor	Foreign Investment %
1	Aditya Birla Sun Life Insurance Co. Ltd.	1,901.21	-	1,901.21	969.62	931.59	49.00
2	Aegon Life Insurance Co. Ltd.	1,468.25	9.48	1,477.73	753.64	724.09	49.00
3	Ageas Federal Life Insurance Co. Ltd.	800.00	-	800.00	408.00	392.00	49.00
4	Aviva Life Insurance Co. Ltd.	2,004.90	-	2,004.90	1,022.50	982.40	49.00
5	Bajaj Allianz Life Insurance Co. Ltd.	150.71	-	150.71	111.52	39.18	26.00
6	Bharti AXA Life Insurance Co. Ltd.	3,086.20	340.00	3,426.20	1,747.36	1,678.84	49.00
7	Canara HSBC Life Insurance Co. Ltd.	950.00	-	950.00	703.00	247.00	26.00
8	Edelweiss Tokio Life Insurance Co. Ltd.	312.62	352.93	665.55	437.43	228.12	34.28
9	Exide Life Insurance Co. Ltd.	1,850.00	-	1,850.00	1,850.00	-	-
10	Future Generali India Life Insurance Co. Ltd.	1,965.82	180.00	2,145.82	676.04	1,469.78	68.50
11	HDFC Life Insurance Co. Ltd.	2,020.94	91.68	2,112.62	1,470.37	642.25	30.40
12	ICICI Prudential Life Insurance Co. Ltd.	1,435.97	1.33	1,437.31	853.31	583.99	40.63
13	IndiaFirst Life Insurance Co. Ltd.	663.46	-	663.46	490.96	172.50	26.00
14	Kotak Mahindra Life Insurance Co. Ltd.	510.29	-	510.29	510.29	-	-
15	Max Life Insurance Co. Ltd.	1,918.81	-	1,918.81	1,819.68	99.14	5.17
16	PNB MetLife India Insurance Co. Ltd.	2,012.88	-	2,012.88	1,028.27	984.61	48.92
17	Pramerica Life Insurance Co. Ltd.	374.06	-	374.06	190.77	183.29	49.00
18	Reliance Nippon Life Insurance Co. Ltd.	1,196.32	-	1,196.32	610.13	586.20	49.00
19	Sahara India Life Insurance Co. Ltd.	232.00	-	232.00	232.00	-	-
20	SBI Life Insurance Co. Ltd.	1,000.04	-	1,000.04	725.66	274.37	27.44
21	Shriram Life Insurance Co. Ltd.	179.38	-	179.38	103.34	76.04	42.39
22	Star Union Dai-ichi Life Insurance Co. Ltd.	258.96	-	258.96	140.00	118.96	45.94
23	Tata AIA Life Insurance Co. Ltd.	1,953.50	-	1,953.50	996.28	957.22	49.00
	Private Total	**28,246.33**	**975.42**	**29,221.75**	**17,850.16**	**11,371.59**	**38.91**
24	Life Insurance Corporation of India	100.00	6,225.00	6,325.00	6,325.00	-	-
	Grand Total	**28,346.33**	**7,200.42**	**35,546.75**	**24,175.16**	**11,371.59**	**31.99**

History of Life Insurance in India

- 2006- The Actuaries Act: An Act to provide for regulating and developing the profession of Actuaries and for matters connected therewith or incidental thereto.
- "Actuary" means a person skilled in determining the present effects of future contingent events or in finance modelling and risk analysis in different areas of insurance, or calculating the value of life interests and insurance risks, or designing and pricing of policies, working out the benefits, recommending rates relating to insurance business, annuities, insurance and pension rates on the basis of empirically based tables and includes a statistician engaged in such technology, taxation, employees' benefits and such other risk management and investments and who is a fellow member of the Institute; and the expression "actuarial science" shall be construed accordingly;

Insurance Act 1938

- No insurer other than an Indian insurance company can carry on any class of insurance business in India.
- Properties in India not to be insured with foreign insurers except with the permission of Authority
- Not to carry insurance business without registration
- Certification of soundness of terms of life insurance business
- Minimum limits for annuities and other benefits secured by policies of life insurance
- Minimum paid up capital of Rs 100 crores.(Rs 200 crores for reinsurer)

Paid Up Capital

Table I.11: Paid up Capital of Life Insurers

(₹crore)

Insurer	As at March 31, 2021	Additions during 2021-22	As at March 31, 2022
LIC	100.00	6,225.00	6,325.00
Private Sector	28,246.37	975.38	29,221.75
Total	**28,346.37**	**7,200.38**	**35,546.75**

Note: Paid up Capital excludes Share premium and Share application money

Insurance Act 1938

- Every insurer shall keep separate accounts relating to funds of shareholders and policyholders
- Every insurer carrying on life insurance business shall, once at least every year cause an investigation to be made by an actuary into the financial condition of the life insurance business carried on by him, including a valuation of his liabilities in respect thereto and shall cause an abstract of the report of such actuary to be made in accordance with the regulations:

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Mission Statement of IRDAI

- To protect the interest of and secure fair treatment to policyholders;
- To bring about speedy and orderly growth of the insurance industry and to provide long term funds for speedy development of economy.
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;

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Mission Statement of IRDAI

- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players
- To take action where such standards are inadequate or ineffectively enforced
- To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

Section 14 –IRDA ACT 1999

- Section 14 of the IRDA Act, 1999 (IRDA Act) lays down the duties of the Authority to regulate, promote and ensure orderly growth of the insurance business and reinsurance business. Subsection (2) of the said section lays down the powers and functions of the Authority

Duties of IRDA

1) Issue to the Applicant a Certificate of Registration, Renew, Modify, Withdraw, Suspend or Cancel such Registration
2) Protection of the Interests of Policyholders in Matters Concerning Assigning of Policy, Nomination by Policyholders, Insurable Interest, Settlement of Insurance Claim, Surrender Value of Policy and Other Terms and Conditions of Contracts of Insurance.
3) Specifying Requisite Qualifications, Code of Conduct and Practical Training for Intermediaries or Insurance Intermediaries and Agents

Duties of IRDA

Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct) Regulations, 2015, IRDAI (Insurance Brokers) Regulations, 2018, IRDAI (Appointment of Insurance Agents) Regulations, 2016 and IRDAI (Registration of Corporate Agents) Regulations, 2015

4) Specifying the Code of Conduct for Surveyors and Loss Assessors

5) Promoting Efficiency in the Conduct of Insurance Business

Regulation 13(3) of the IRDAI (Regulatory Sandbox) Regulations, 2019, the Authority has issued the guidelines on the operation of the Regulatory Sandbox outlining the procedure to be followed in implementing the “innovation in insurance” programme.

Life Insurance Premium Growth

Table I.4: Growth in Real Premium by Region in the World in 2021

(In per cent)

Regions	Life	Non-Life	Total
Advanced markets	5.4	2.9	3.9
Emerging markets	1.5	1.5	1.5
Asia-Pacific	0.6	0.8	0.7
India	8.5	5.8	7.8
World	**4.5**	**2.6**	**3.4**

Source: Swiss Re, Sigma 4/2022

Premium Underwritten

Table I.8: Premium Underwritten by Life Insurers

(₹crore)

Premium	LIC		Private Sector		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
First Year (FY)	33,930.86 (-41.46)	36,649.35 (8.01)	46,869.16 (5.74)	73,943.39 (57.77)	80,800.02 (-21.01)	1,10,592.74 (36.87)
Single	1,50,498.69 (25.08)	1,62,282.83 (7.83)	47,401.21 (29.30)	41,992.25 (-11.41)	1,97,899.90 (26.07)	2,04,275.08 (3.22)
New Business (FY+ Single)	**1,84,429.55 (3.45)**	**1,98,932.18 (7.86)**	**94,270.37 (16.40)**	**1,15,935.64 (22.98)**	**2,78,699.92 (7.50)**	**3,14,867.82 (12.98)**
Renewal	2,18,857.00 (8.82)	2,29,092.80 (4.68)	1,31,174.11 (16.56)	1,48,653.53 (13.33)	3,50,031.11 (11.60)	3,77,746.32 (7.92)
Total (New + Renewal)	**4,03,286.55 (6.30)**	**4,28,024.97 (6.13)**	**2,25,444.48 (16.50)**	**2,64,589.17 (17.36)**	**6,28,731.04 (9.74)**	**6,92,614.14 (10.16)**

Note: Figures in bracket indicates growth (in per cent) over previous year.

Insurance Penetration & Density

Table I.6: Insurance Penetration and Density by Region in the World in 2021

Region	Penetration (%)			Density (USD)		
	Life	Non-Life	Total	Life	Non-Life	Total
USA and Canada	2.7	8.7	11.4	1823	5960	7782
Advanced EMEA	4.8	3.2	8.0	2226	1468	3694
Emerging EMEA	0.6	1.0	1.6	35	58	92
Advanced Asia Pacific	6.0	3.0	9.0	2325	1187	3512
Emerging Asia Pacific	2.1	1.6	3.7	132	100	232
India	3.2	1.0	4.2	69	22	91
World	**3.0**	**3.9**	**7.0**	**382**	**492**	**874**

EMEA- Europe, Middle East and Africa
Source: Swiss Re, Sigma 4/2022

Insurance penetration = Insurance Premium/GDP
Insurance density = Insurance Premium/ Population

PM SCHEMES

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year Group Term Life insurance scheme designed by the Government of India. It is available to people in the age group of 18 to 50 Annual Report 2021 - 22 45 | Policies and Programmes I years having a bank account who give their consent to join / enable auto-debit. The life cover of ₹2 lakh st shall be for the one-year period stretching from 1 st June to 31 May and is auto-renewable every year thereafter. The premium was ₹330 per annum for policy year 2021-22. The scheme is being offered by LIC and 13 other life insurers.

Pradhan Mantri Vaya Vandana Yojana (PMVVY) For the FY 2021-22, the Scheme provided an assured pension of 7.40 per cent per annum payable monthly.

INSURANCE REPOSITORY

- The Insurance Repository System is an initiative of the Authority to de-materialize insurance policies. To achieve this objective, the Authority issued the guidelines on Insurance Repositories and electronic issuance of insurance policies in April, 2011. Subsequently in May, 2015, the Authority has issued the “Revised Guidelines on Insurance Repositories and electronic issuance of Insurance policies”
- NSDL National Insurance Repository ·
- CDSL Insurance Repository Limited ·
- CAMS Repository Services Limited ·
- Karvy Insurance Repository Limited

Duties of IRDA

6) Promoting and Regulating Professional Organizations Connected with the Insurance and Reinsurance Business

Indian Institute of Insurance Surveyors and Loss Assessors (IIISLA)

Insurance Brokers Association of India (IBAI)

Insurance Information Bureau of India (IIB)

Institute of Insurance and Risk Management (IIRM)

7) Levying Fees and Other Charges for Carrying Out the Purposes of the Act

8) Calling Information from, Undertaking Inspection of, Conducting Enquiries and Investigations Including Audit of the Insurers, Intermediaries, Insurance Intermediaries and Other Organizations Connected with the Insurance Business

Duties of IRDA

9) Control and Regulation of Rates, Advantages, Terms and Conditions that may be offered by Insurers in respect of General Insurance Business not so Controlled and Regulated by the Tariff Advisory Committee under Section 64U of the Insurance Act, 1938 (4 of 1938)

10) Specifying the Form and Manner in which Books of Accounts shall be Maintained and Statements of Accounts shall be Rendered by Insurers and Other Insurance Intermediaries.

11)Regulating Investment of Funds by Insurance Companies

IRDAI (Investment) Regulations, 2016 read along with Master Circular and guidelines

Investment of Insurers

Table I.35: Investments of Life Insurers

(As on March 31)

(₹Crore)

S.No.	Category	2021	2022
A	**Traditional Products**		
1	Central Government Securities	16,71,268 (42.23)	18,95,074 (43.46)
2	State government and other approved securities	10,43,770 (26.38)	10,79,100 (24.75)
3	Housing and Infrastructure	4,16,718 (10.53)	3,94,524 (9.05)
4	Approved Investments	6,80,935 (17.21)	8,36,597 (19.19)
5	Other Investments	1,44,452 (3.65)	1,55,341 (3.56)
	Total (1+2+3+4+5)	**39,57,144 (100.00)**	**43,60,637 (100.00)**
B	**ULIP Funds**		
6	Approved Investments	4,75,204 (90.89)	5,25,205 (88.78)
7	Other Investments	47,626 (9.11)	66,346 (11.22)
	Total (6+7)	**5,22,830 (100.00)**	**5,91,550 (100.00)**
	Grand Total (A+B)	**44,79,973**	**49,52,187**

Note: Figures in brackets are percentage to total

Duties of IRDA

12) Regulating Maintenance of Margin of Solvency

13) Adjudication of Disputes between Insurers and Intermediaries or Insurance Intermediaries

14) Specifying the Percentage of Life Insurance Business and General Insurance Business to be Undertaken by the Insurers in the Rural and Social Sector

Solvency

Every insurer is required to maintain a Required Solvency Margin as per Section 64VA of the Insurance Act, 1938. Every insurer shall maintain an excess of the value of assets over the amount of liabilities of not less than amount prescribed by the IRDAI, which is referred to as a Required Solvency Margin. The IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016 and the IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016 describe in detail the method of computation of the Required Solvency Margin

Protecting Interest of Policy Holders

Key Role of IRDA

Customer Complaints

22.

Table I.31: Complaints on Unfair Business Practices Registered against Life Insurers

Complaints	2020-21			2021-22		
	LIC	Private	Total	LIC	Private	Total
Total No. of complaints on Life Insurers	1,09,631	41,415	1,51,046	1,14,202	40,624	1,54,826
No. of UFBP complaints	3,928	26,746	30,674	3,509	22,207	25,716
Share of UFBP complaints to total complaints (%)	3.58	64.58	20.31	3.07	54.66	16.61
Share of UFBP to new policies sold (%)	0.02	0.37	0.11	0.02	0.30	0.09

UFBP- Unfair Business Practices

Commission Expenses

Table I.12: Commission Expenses (and Rewards) of Life Insurers

(₹crore)

S. No.	Segment	LIC		Private Sector		Total	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	First Year Commission	8,969.83 (26.44)	9,730.97 (26.55)	6,845.72 (14.60)	8,088.84 (10.94)	15,815.56 (19.57)	17,819.80 (16.11)
2	Commission on Single Premium	564.67 (0.37)	490.27 (0.30)	580.22 (1.22)	829.73 (1.98)	1,144.89 (0.58)	1,320.01 (0.65)
3	Rewards on New Business Commission	1,201.39 (0.65)	1,099.57 (0.55)	378.06 (0.40)	441.61 (0.38)	1,579.45 (0.57)	1,541.18 (0.49)
4	**New Business Commission (1+2+3)**	**10,735.90 (5.82)**	**11,320.81 (5.69)**	**7,804.00 (8.28)**	**9,360.18 (8.07)**	**18,539.89 (6.65)**	**20,680.99 (6.57)**
5	Renewal Commission	11,434.74 (5.23)	11,850.65 (5.17)	3,019.45 (2.30)	3,355.68 (2.26)	14,454.19 (4.13)	15,206.33 (4.03)
6	**Total Commission (4+5)**	**22,170.64 (5.50)**	**23,171.46 (5.41)**	**10,823.44 (4.80)**	**12,715.86 (4.81)**	**32,994.08 (5.25)**	**35,887.31 (5.18)**

Note: Figures in bracket are Commission Expense Ratio in per cent.

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Benefits Paid

Table I.14: Benefits Paid by Life Insurers

(₹crore)

Benefit	LIC		Private Sector		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Death Claim	23,878.62	35,720.29	18,079.81	25,101.57	41,958.43	60,821.86
Maturity	1,65,659.20	2,05,526.54	25,845.12	34,129.53	1,91,504.32	2,39,656.07
Surrender/ Withdrawal	80,101.00	95,118.04	49,315.89	63,166.90	1,29,416.88	1,58,284.94
Annuities/ Pensions	14,571.36	16,257.21	1,406.32	1,990.77	15,977.68	18,247.97
Others	911.63	815.51	19,003.52	24,270.57	19,915.15	25,086.08
Total	**2,85,121.81**	**3,53,437.58**	**1,13,650.66**	**1,48,659.34**	**3,98,772.47**	**5,02,096.92**

Note: 1. Claims include terminal bonus as a part of benefits paid.
2. Death claim is net of reinsurance

Death Claims

Table I.15: Actual Death Claims of Life Insurers

(Amount in ₹crore)

Total Claims		Claims paid		Claims Repudiated		Claims rejected		Claims Unclaimed		Claims pending at end of the period	
NOP	Amount	NOP	Amount	NOP	Amount	NOP	Amount	NOP	Amount	NOP	Amount
Individual Life Insurance Business											
16,08,924 (100.00)	48,080.54 (100.00)	15,87,110 (98.64)	45,817.57 (95.29)	12,609 (0.78)	1,099.12 (2.29)	3,900 (0.24)	192.45 (0.40)	2,727 (0.17)	482.36 (1.00)	2,578 (0.16)	489.03 (1.02)
Group Life Insurance Business											
14,36,081 (100.00)	26,923.79 (100.00)	14,18,442 (98.77)	26,043.24 (96.73)	9,087 (0.63)	549.27 (2.04)	2,062 (0.14)	51.61 (0.19)	134 (0.01)	2.10 (0.01)	6,356 (0.44)	277.57 (1.03)

NOP – No. of Policies

Note:

1. Figures in brackets are percentage to total.
2. For Individual life insurance business, the count is in terms of NOP and in case of group life insurance business, the count is terms of number of lives.

Grievance Redressal

Grievance Redressal procedure is prescribed in protection of policyholders' interests Regulations, 2017 in terms of which IRDAI mandated all insurers to have in place a grievance redressal policy, designate a Grievance Redressal officer at the Head Office/Corporate officee/Principal Office and also a Grievance Redressal Officer at every other office. The Regulations also prescribe insurers to constitute a policyholder protection committee in accordance with the corporate governance guidelines for receiving and analysing reports relating to grievances and their redressal.

Ombudsman

In order to provide an expeditious and inexpensive forum for adjudication of matters relating to claims in respect of personal lines of insurance upto a certain limit, Government introduced a system of Ombudsman in the insurance sector with effect from November 11, 1998. Currently there are 17 insurance ombudsmen in the country who are allotted to different geographical areas as their areas of jurisdiction.

Death Claims Due to Covid

Table III.1: Death Claims due to COVID-19 Pandemic

(cumulative up to March 31, 2022)

(Amount in ₹Crore)

Claims Reported		Claims Settled		Claims Repudiated		Claims Outstanding	
Number of claims	Amount of claim	Number of claims	Amount of claim	Number of claims	Amount of claim	Number of claims	Amount of claim
2,26,906	17,757	2,25,219	17,269	1,550	448	137	40

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