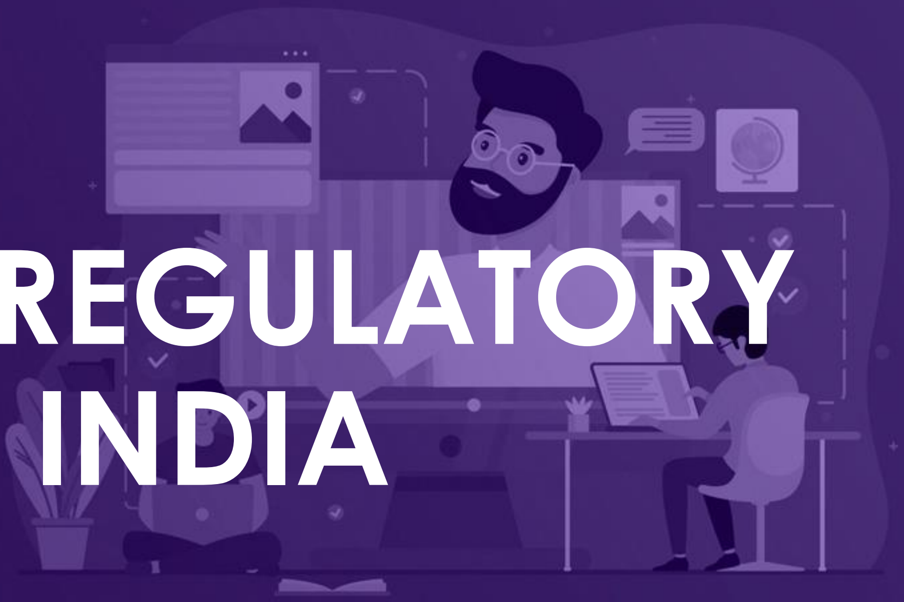
GENERAL INSURANCE REGULATORY FRAMEWORK IN INDIA



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History of General Insurance in India

- Insurance Listed in the seventh schedule of constitution – Union List.
- 1850-Triton Insurance Company Limited-First General Insurance Company in India-Calcutta –Established by Europeans.
- 1907-The Indian Mercantile Insurance Limited
- 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.
- 1938 –Insurance Act – To protect interest of policy holder and control activities of the insurers.

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History of General Insurance in India

- 1957- Formation of General Insurance Council: The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices
- 1968-Insurance Act amended to regulate investments and set minimum solvency margin.
- 1968 –Tariff Advisory Committee set up
- 1972 -General Insurance Business (Nationalization) Act-wef 1st Jan 1973 –General Insurance Business nationalized. 107 insurers amalgamated and grouped into four insurers.
- GIC also started operations on 1st Jan 1973.

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History of General Insurance in India

- 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
- 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.

History of General Insurance in India

- December 2000- Subsidiaries of GIC were restructured as independent companies and GIC was converted as National Reinsurer.
- 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%

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Principles of Insurance

- Insurable Interest
- Utmost Good Faith
- Proximate Cause
- Indemnity
- Contribution
- Subrogation

General Insurance Lines of Business

- Health
- Motor
- Crop
- Fire
- Engineering
- Liability
- Marine Cargo & Hull
- Aviation
- Others

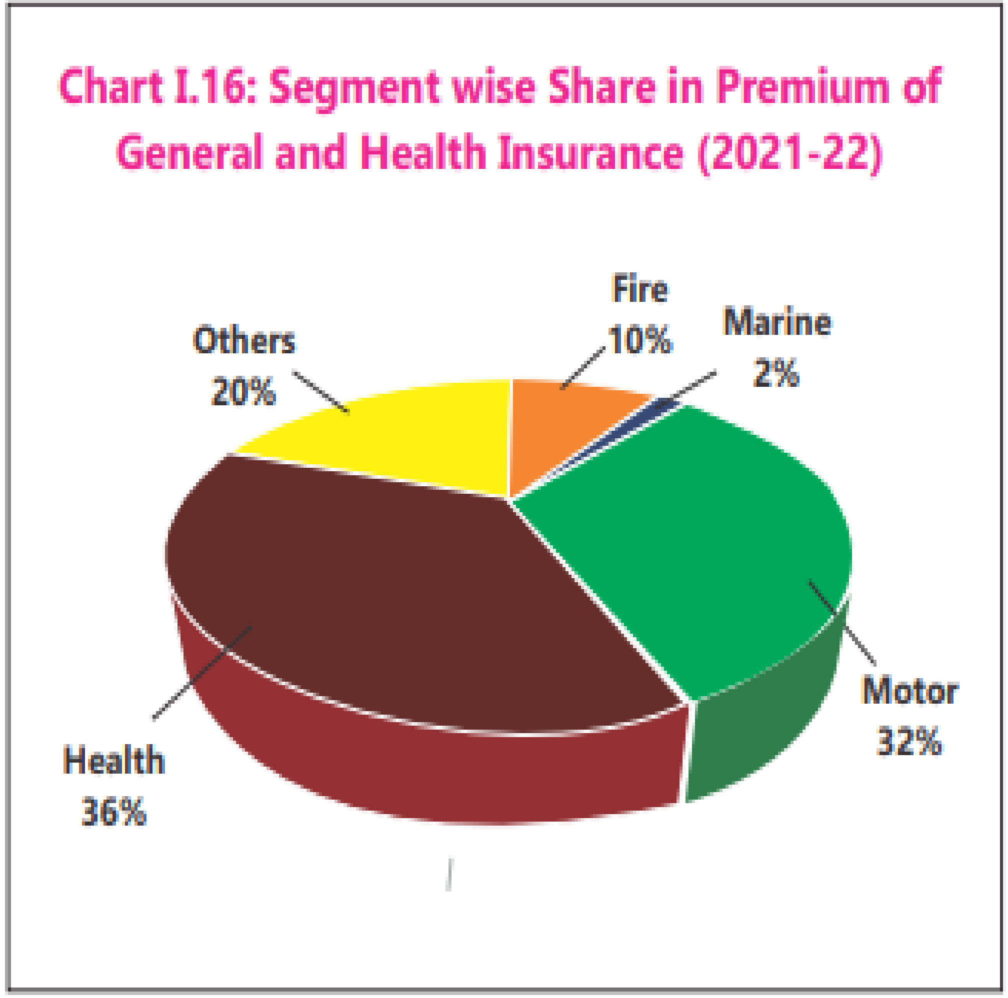
General Insurance Lines of Business

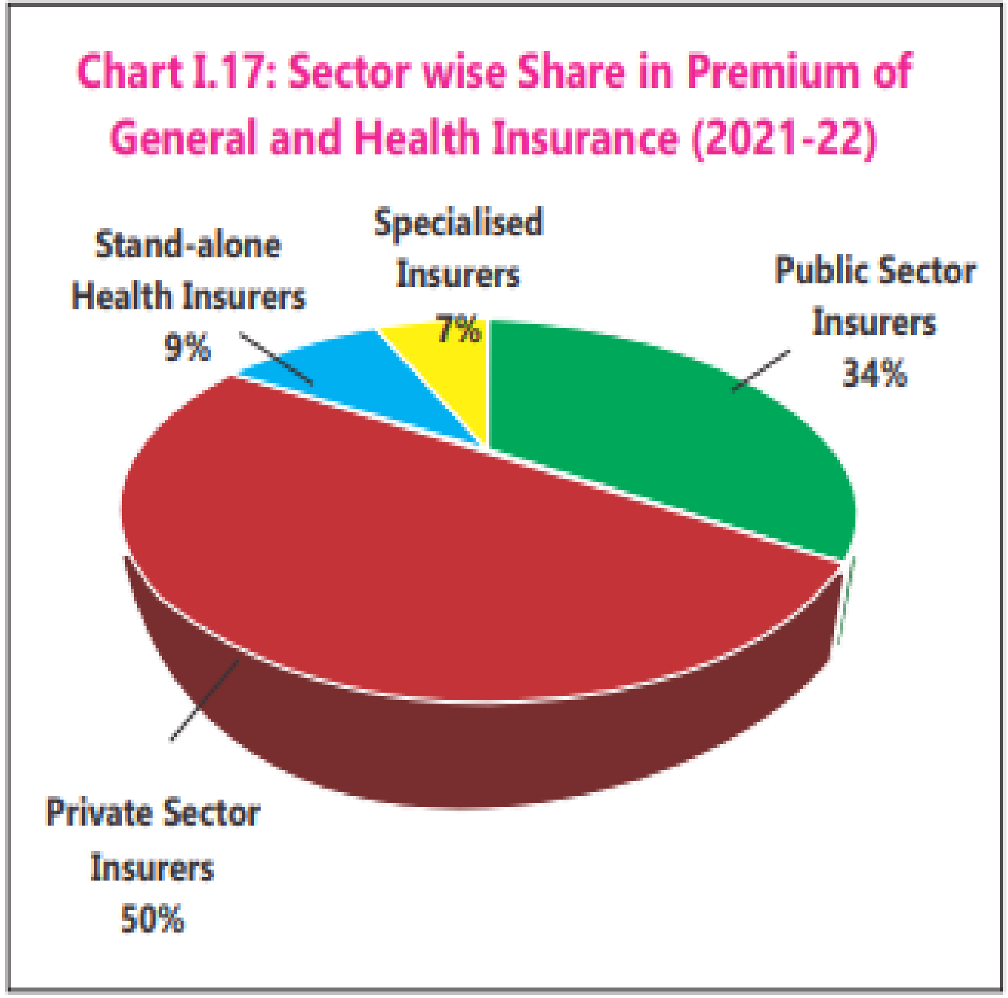
Table I.20: Segment-Wise Premium (Within India) Underwritten by General and Health Insurers

(₹crore)

Segment	Public Sector Insurers		Private Sector Insurers		Stand-alone Health Insurers		Specialised Insurers		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Fire	8,375.40	8,514.95	11,737.49	13,036.08	NA	NA	NA	NA	20,112.89	21,551.03
Marine	1,724.82	1,834.43	1,763.27	2,333.18	NA	NA	NA	NA	3,488.09	4,167.61
Motor	23,218.11	21,768.98	44,574.07	48,664.50	NA	NA	NA	NA	67,792.19	70,433.48
Health	28,902.71	35,374.27	19,095.07	24,260.83	15,755.19	20,867.18	NA	NA	63,752.97	80,502.27
Others	9,622.68	7,540.22	20,831.06	21,458.78	NA	NA	13,114.85	15,046.83	43,568.58	44,045.82
Total	**71,843.72**	**75,032.84**	**98,000.96**	**1,09,753.37**	**15,755.19**	**20,867.18**	**13,114.85**	**15,046.83**	**1,98,714.72**	**2,20,700.21**

General Insurance Lines of Business





Health Insurance

Table I.38: Policies, Lives Covered and Premium under Health Insurance Business of General and Health Insurers

Class of Business	No. of Policies (lakhs)		No. of Lives Covered (lakhs)		Gross Premium (₹crore)	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Government Sponsored Business	0.001 (-53.50)	0.001 (0.00)	3,429.14 (-5.26)	3,065.08 (-10.62)	4,290.00 (-12.82)	6,075.87 (41.63)
Group Business	9.09 (19.49)	7.00 (-36.30)	1,186.95 (26.92)	1,622.88 (36.73)	28,108.09 (8.61)	36,890.58 (31.25)
Individual Business	228.30 (32.95)	219.25 (-3.96)	531.39 (22.94)	516.23 (-2.85)	25,839.77 (29.48)	30,085.07 (16.43)
Total	**237.39 (32.38)**	**226.25 (-5.20)**	**5,147.47 (3.22)**	**5,204.19 (1.10)**	**58,237.86 (14.74)**	**73,051.52 (25.44)**

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

Health Insurance

(2021-22)

(No. in lakhs & Amount in ₹crore)

Claims outstanding at the beginning of the period		New claims registered during the period		Total Claims		Claims paid during the period		Claims disallowed as per terms and conditions of policy contract		Claims repudiated during the period		Claims outstanding at the end of the year	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
14.73	5,661.79	240.22	93,840.46	254.95	99,502.24	218.52	69,498.48	-	14,955.09	16.37	9,070.24	20.06	5,978.44
				(100.00)	(100.00)	(85.71)	(69.85)	-	(15.03)	(6.42)	(9.12)	(7.87)	(6.01)

Note: Figures in brackets are percentage to total

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Government Sponsored Schemes

- Pradhan Mantri Suraksha Bima Yojana (PMSBY): 2 lakhs PA cover for Rs 12 premium
- Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS)
- Pradhan Mantri Jan Dhan Yojana (PMJDY):New Rupay card holders – Rs 2 lakhs PA cover.
- Pradhan Mantri Jan Arogya Yojana (PM-JAY): Ayushman Bharat: 5 lakhs per annum per family health scheme: Fully funded by Government-shared between Central & State Government

Registered Insurers & Reinsurers

Table I.30: Registered Insurers and Reinsurers

Type of Insurer	Public Sector	Private Sector	Total
Life	1	23	24
General	6	20	26
Stand-alone Health	-	5	5
Re-insurers	1	11	12
Total	**8**	**59**	**67**

Note: List of registered insurers/reinsurers is given in Annexure 1.

Mad Over Insurance

Regulations

- IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015- Maximum 3 districts. Maximum 2 companies of life, non-life & health- Retail space – Also can tie up with AIC & ECGC
- IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021: Simple, Fair & simple language
- IRDAI (Other forms of capital) Regulations, 2015
- IRDAI (Registration and operations of branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015
- IRDAI (Regulatory Sandbox) (Amendment) Regulations, 2021

Regulations

- IRDAI(Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021
- IRDAI (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021
- IRDAI (Indian Insurance Companies) (Amendment) Regulations, 2021:Consequent to raising of FDI to 74%.
- . Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Programme under the Prevention of Money Laundering Act

Surveyors

Table II.8: Licenses Issued to Surveyors and Loss Assessors

Type of SLA	2020-21	2021-22
Fresh Licenses		
Individual	436	514
Corporate	9	13
Total	**445**	**527**
Renewals		
Individual	2,563	2,824
Corporate	45	47
Total	**2,608**	**2,871**
Trainee Enrolments	1,293	1,384

Third Party Administrators

- The TPAs expanded the network of the hospitals by adding 26,632 new hospitals to their network in 2021-22. After withdrawal/ removal of 7828 hospitals, the number of hospitals in the network remained 1,83,352 as on Match 31, 2022.

Important Acts

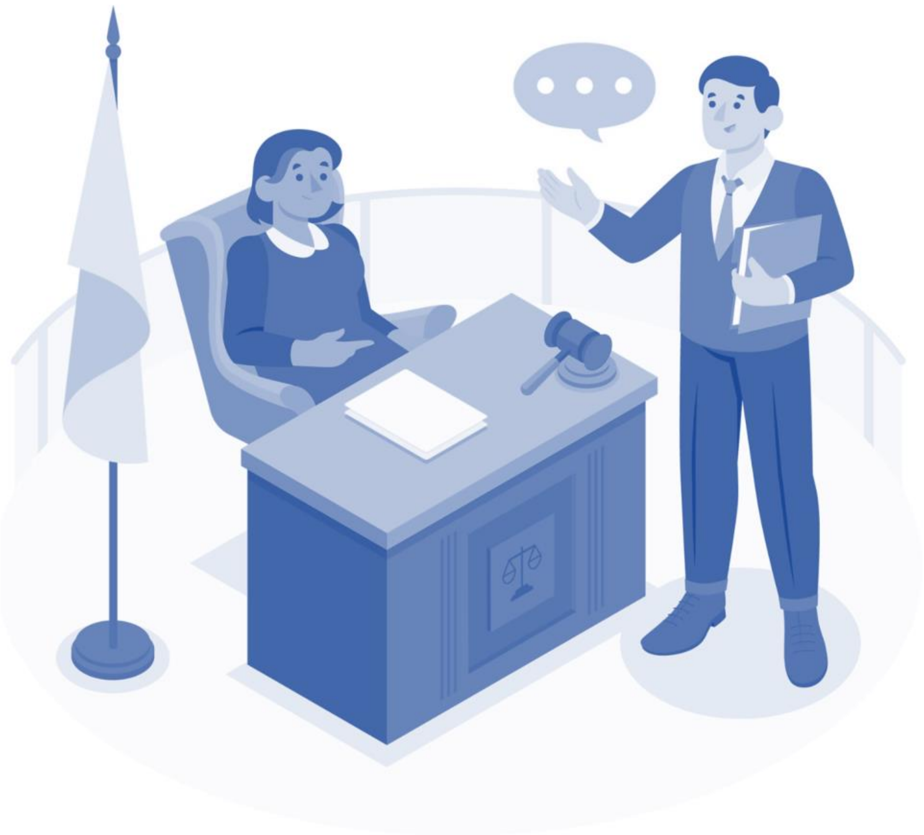
- Motor Vehicles Act 1988 & Motor Vehicles(Amendment) Act 2019
- Public Liability Insurance Act, 1991
- Real Estate Regulatory Authority Act, 2016
- Workman Compensation Act, 1923
- Arbitration & Concillation Act, 1996

Motor Third Party Insurance

- IRDAI (Obligations of Insurers in respect of Motor Third Party Insurance Business) Regulations, 2015 stipulated minimum obligation of insurers with respect to Motor Third Party Insurance Business on an annual basis.

Arbitration IRDA Regulation 2023

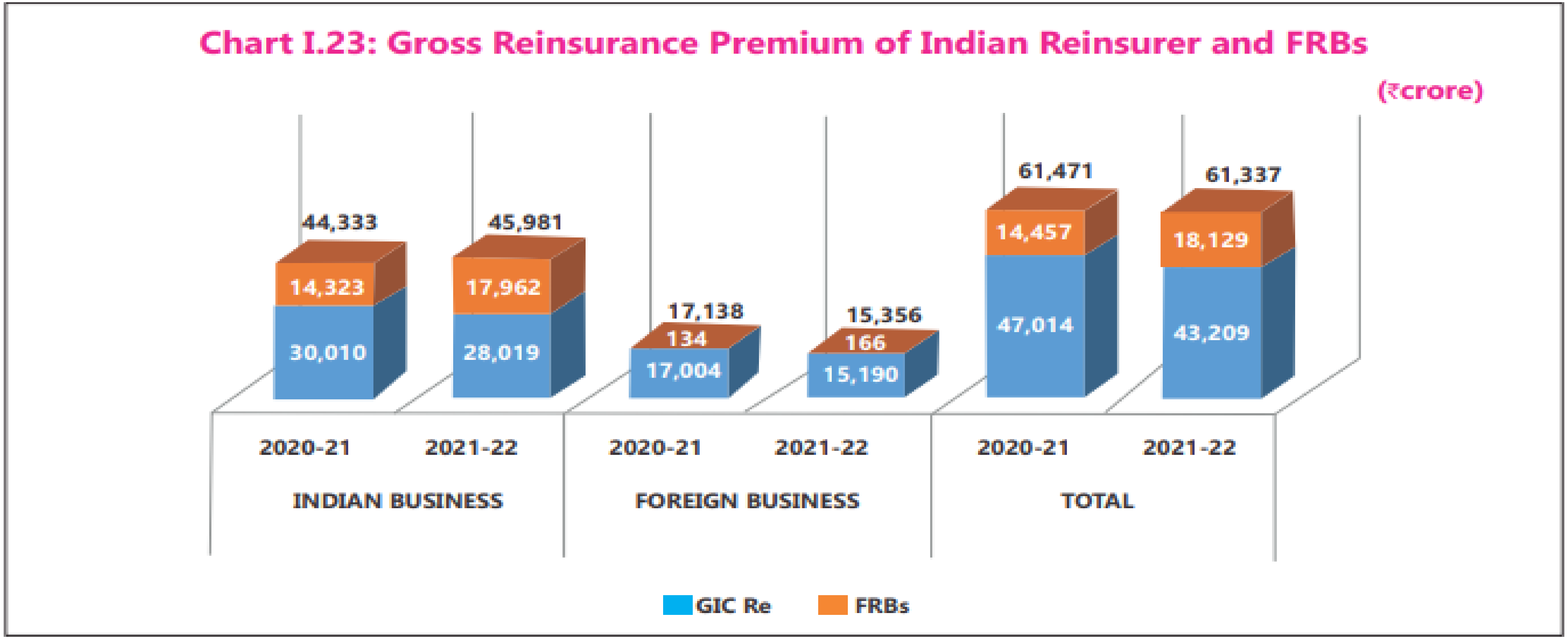
- “The parties to the contract may mutually agree and enter into a separate Arbitration Agreement to settle any and all disputes in relation to this policy.
- Arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act, 1996.”



Reinsurance Regulations

- IRDAI (Registration and Operations of Branch Offices of foreign reinsurers other than Lloyd's) Regulations, 2015 and Lloyd's and its service companies have to adhere with IRDAI (Lloyd's India) Regulations, 2016 and any other circulars/guidelines issued from time to time by the Authority in this regard
- The Authority regulates the re-insurance business placement by Indian insurers/re-insurers with Cross Border Reinsurers (CBRs) as per IRDAI (Re-insurance) Regulations, 2018

Reinsurance Premium



Reinsurance Regulations India

- Retention Policy
- Filing of Reinsurance Arrangements
- Order of Preference – Best Terms; Offer for Participation
- Indian Reinsurers
- Foreign Reinsurance Branches (**FRB**)
- International Financial Service Centre Insurance Office (**IIO**)
- Cross Border Reinsurers (**CBR**)
- Cession Limits to Cross Border Reinsurers : > A+ 20%; >BBB+ 15%; BBB & BBB+ 10%.
- Inward Reinsurance Business regulations

Insurer Financial Strength Rating

- It is a forward looking opinion about an insurer/reinsurer abilities to pay its policies and honor its contracts.
- Warren Buffet: "Cheap" reinsurance is a fool's bargain: When an insurer lays out money today in exchange for a reinsurer's promise to pay a decade or two later, it's dangerous – and possibly life-threatening – for the insurer to deal with any but the strongest reinsurer around
- An insurer rated "AAA" has EXTREMELY STRONG financial security characteristics. "AAA" is the highest Insurer Financial Strength Rating assigned by Standard & Poor's. ☐
- An insurer rated "BBB" has GOOD financial security characteristics, but is more likely to be affected by adverse business conditions than the higher rated insurers

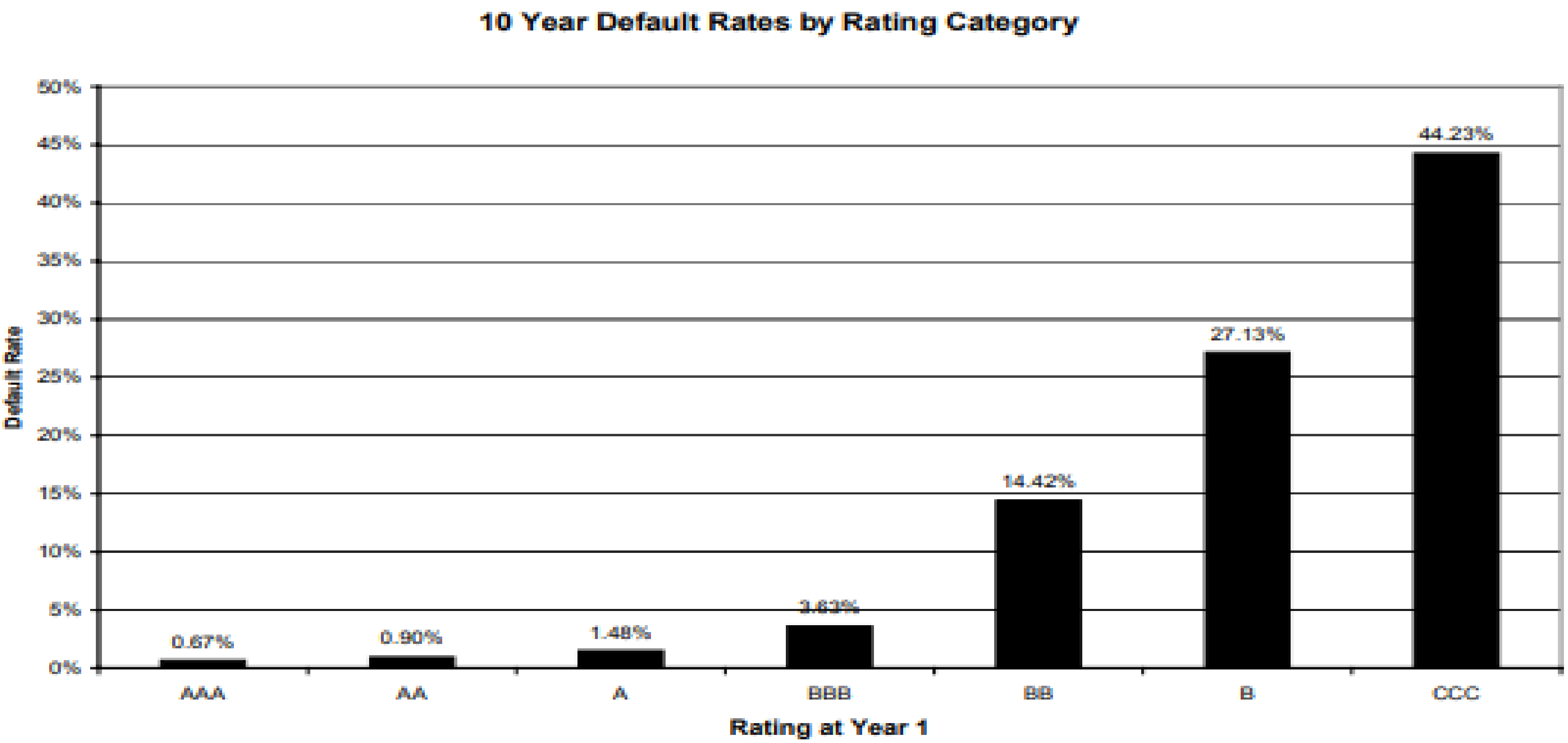
REINSURER RATINGS

<table>
<tr><th>S&P</th><th>AM BEST</th><th></th></tr>
<tr><td>AAA</td><td>A++</td><td>Extremely Strong</td></tr>
<tr><td>AA+</td><td rowspan="2">A+</td><td rowspan="3">Very Strong</td></tr>
<tr><td>AA</td></tr>
<tr><td>AA-</td><td rowspan="2">A</td></tr>
<tr><td>A+</td><td rowspan="3">Strong</td></tr>
<tr><td>A</td><td>A-</td></tr>
<tr><td>A-</td><td rowspan="2">B++</td></tr>
<tr><td>BBB+</td><td>Good</td></tr>
</table>

REINSURER RATINGS

	Reinsurer	Country	S&P	AM BEST
1	Munich Re	Germany	AA-/Stable	A+/Stable
2	Swiss Re	Switzerland	AA-/Negative	A+/Stable
3	Hannover Re	Germany	AA-/Stable	A+/Stable
4	SCOR	France	AA-/Stable	A+/Stable
5	Berkshire Hathaway	United States	AA+/Stable	A++/Stable
6	China Re	China	A/Stable	A/Stable
7	Lloyd's	United Kingdom	A+/Stable	A/Stable
8	Canada Life Re	Canada	AA	A+/Stable
9	Reinsurance Group of America	United States	AA-/Stable	A+/Stable
10	Korean Reinsurance	South Korea	A/Stable	A/Stable
11	Everest Re	Bermuda	A+/Stable	A+/Stable
12	PartnerRe	Bermuda	A+/Negative	A+/Stable
13	General Ins. Corporation of India	Inda	NR	B++/Stable
14	RenaissanceRe	Bermuda	A-/Stable	A+/Stable
15	AXA XL	Bermuda	AA-/Stable	A+/Stable
Ratings keep changing, Refer Current Ratings. Above given just for educational purposes				

Importance of Rating



Source: Standard and Poor's

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)

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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:

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;

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.

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

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.34: Total Investments of the Insurance Sector

(As on March 31)

(₹Crore)

Sector	Life Insurers		General and Health Insurers		Reinsurers		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Public	33,97,832 (10.65)	36,79,475 (8.29)	1,58,703 (16.44)	1,67,993 (5.85)	68,799 (17.09)	77,349 (12.43)	36,25,333 (11.01)	39,24,816 (8.26)
Private	10,82,142 (32.06)	12,72,712 (17.61)	1,90,067 (21.92)	2,18,214 (14.81)	15,733 (34.33)	20,985 (33.38)	12,87,942 (30.49)	15,11,911 (17.39)
Total	**44,79,973 (15.16)**	**49,52,187 (10.54)**	**3,48,770 (19.37)**	**3,86,206 (10.73)**	**84,532 (19.96)**	**98,334 (16.33)**	**49,13,275 (15.53)**	**54,36,727 (10.65)**

Investment of Insurers

Table I.36: Investments of General, Health and Reinsurance Companies

(As on March 31)

(₹crore)

Category	General and Health Insurers		Reinsurers		Total	
	2021	2022	2021	2022	2021	2022
Central Government Securities	91,089 (26.12)	1,03,130 (26.70)	29,445 (34.83)	36,037 (36.65)	1,20,533 (27.82)	1,39,166 (28.72)
State government and other approved securities	69,585 (19.95)	83,491 (21.62)	18,392 (21.76)	21,154 (21.51)	87,977 (20.30)	1,04,645 (21.60)
Housing and Loans to State Govt. for Housing & FFE	28,404 (8.14)	31,122 (8.06)	6,263 (7.41)	7,347 (7.47)	34,667 (8.00)	38,470 (7.94)
Infrastructure Investments	57,572 (16.51)	58,402 (15.12)	8,359 (9.89)	9,779 (9.94)	65,931 (15.22)	68,181 (14.07)
Approved Investments	92,098 (26.41)	96,625 (25.02)	17,968 (21.26)	20,088 (20.43)	1,10,066 (25.40)	1,16,713 (24.09)
Other Investments	10,023 (2.87)	13,437 (3.48)	4,105 (4.86)	3,928 (3.99)	14,128 (3.26)	17,365 (3.58)
Total	**3,48,770 (100.00)**	**3,86,206 (100.00)**	**84,532 (100.00)**	**98,334 (100.00)**	**4,33,301 (100.00)**	**4,84,540 (100.00)**

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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

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.

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