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Summary

➢The Central Legislature is empowered to regulate the insurance industry in India and hence the law in this regard is uniform throughout the territories of India.

➢Oriental Life Insurance Company in 1818 in Calcutta was the first life insurance company to start operations in India.

➢The first statutory measure in India to regulate the life insurance business was in 1912 with the passing of the Indian Life Assurance Companies Act, 1912.

➢The first general insurance company established by an Indian was Indian Mercantile Insurance Company Ltd. in Bombay in 1907.

➢In 1956 the life insurance business was nationalised and the operations of companies were merged to form the Life Insurance Corporation (LIC) of India.

➢With the introduction of the General Insurance Business (Nationalisation) Act, 1972, the general insurance business was nationalised.

➢General Insurance Corporation (GIC) was formed in 1972 and was made the holding company of 4 PSU general insurance companies. The operations of all general insurance companies were merged into these 4 companies.

➢In the year 2000 reforms were initiated by the Government and the IRDA was formed and the insurance sector was liberalised and opened up to private sector participation. As per current rules Foreign Direct Investment (FDI) upto 49% is allowed in the insurance sector.

➢The Insurance Association of India (IAI) has two councils: Life Insurance Council and General Insurance Council.

➢As part of the reforms process GIC was delinked from its 4 subsidiaries and was converted into a re-insurance company. The ownership of the 4 subsidiaries was passed on to the Central Government.

➢Insurance is a contract under which the insurer, in exchange for payments from the insured, agrees to reimburse the losses of the insured on occurrence of a specific event.

➢IRDA is the regulator of insurance business in India. It is a national agency of the Government of India formed by an Act of Parliament known as the IRDA Act 1999.

➢IRDA's objectives include protecting the interests of the insured and promoting orderly growth of the insurance industry in India.

➢Insurance association of India consists of members (All insurers incorporated and domiciled in India) and associate members (All insurers incorporated and domiciled outside India).

➢The Life Insurance Council consists of all the members and associate members of the Association who carry on life insurance business in India. The objectives of Executive Committee include aiding, advising and assisting insurers carrying on life insurance business.

➢The General Insurance Council consists of all the members and associate members of the Association who carry on general insurance business in India. The objectives of Executive Committee include to aid, advise and assist insurers in carrying on general insurance business.

➢The duration of the Executive Committee of the Life Insurance Council or the General Insurance Council is three years from the date of its first meeting.

➢"Composite Insurance Agent" means an Insurance Agent who holds a licence to act as an insurance agent for a life insurer and a general insurer.

➢For becoming an insurance agent, the minimum qualification the applicant must have for areas that have population of 5,000 people or more is a pass in the 12th standard. At other places the minimum qualification is a pass in the 10th standard.

➢The brokers' functions are wider in scope than the corporate / individual agents. It includes maintaining records, risk management and consultancy etc.

➢The minimum capital prescribed for a direct broker is 50 lakhs, reinsurance broker is 200 lakhs and composite broker is 250 lakhs. No minimum amount of capital has been prescribed for the corporate and individual agents.

➢A licence once issued is valid for 3 years.

➢There is a ceiling on the proportion of business that insurance brokers and corporate agents can obtain from a single organization or person. No such ceilings (proportion of business from a single client) are applicable for individual agents.

➢Only insurance brokers are required to maintain an "Insurance Bank Account' and a professional indemnity insurance cover.

➢It is mandatory for every life insurer operating in India to have a programme of reinsurance in respect of lives covered by them.

➢General insurers are allowed to maintain the maximum possible retention commensurate with their financial strength and volume of business. The IRDA has the power to ask a General Insurer to justify its retention policy.

➢Every general insurer is required to make outstanding claims provision for every reinsurance arrangement accepted on the basis of loss information advices received from Brokers / Cedants. In the cases where such advices are not received, the provisions are created on the basis of actuarial estimations.

➢Every general insurer is required to make an appropriate provision for Incurred But Not Reported (IBNR) claims on the reinsurance accepted portfolio. This provision is made on actuarial estimation basis.

➢Micro-insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.

➢Micro-insurance is a very useful tool in times of eventualities.

➢The concept of micro-financing as an idea to eradicate poverty was experimented in **Bangladesh in 1974 by Prof. Muhammad Yunus.**

➢The IRDA Micro-Insurance Regulations 2005 lay down the regulations and guidelines for the micro-insurance sector.

➢IRDA regulations 2005 also lay down conditions applicable to micro- insurance agents.

➢These regulations also define the Micro insurance products.

➢Unit Linked Insurance Plans (ULIPs) are market-linked insurance plans. These products offer the twin benefit of life protection and investment to the policyholder.

➢A life insurance company, after deducting the charges for life cover and others charges, invests the remaining amount of the premium in a fund chosen by the policyholder. The returns from the ULIP are dependent upon the performance of the fund.

➢The policyholder's investment in the fund is denoted in the form of units and is represented by the value that it has attained, called Net Asset Value (NAV). The policy value at any time varies according to the value of the underlying assets at the time.

➢An investor can purchase a ULIP policy with a single premium or regular premiums.

➢Guidelines issued by the IRDA affect the various areas related to ULIP products such as product design, market conduct, disclosures and advertisements.

➢Life insurance companies need to ensure an advertisement disseminates, to all policyholders, adequate, accurate, explicit and timely information fairly presented in a simple language.

➢The minimum policy term for ULIP products is 5 years.

➢The difference in NAV at the time of entry(offer price) and exit (bid price) is known as bid-offer spread

➢During the lock-in period, no residuary payments on policies which have lapsed / surrendered / discontinued can be made. The lock-in period is also applicable to top up premiums.

➢Top-up premiums allow the policyholders to increase their annual contribution while avoiding the initial allocation charges.

➢Riders attached to a life insurance policy should bear the nature and character of the main policy.

➢A list of charges with their definitions is enclosed as additional reading material at the end of this chapter.

➢Money laundering is the act of changing the appearance of money that comes from illegitimate sources so that it appears to be legitimate money.

➢The progress of money laundering can broadly be classified into three stages viz. placement, layering and integration
➢Certain methods of money laundering are known to the regulatory authorities and several others have yet to be uncovered
➢Financial Action Task Force (FATF) is policy-making inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing
➢KYC process is meant to weed the bad customers out and to protect the good ones.
➢Implementation of KYC should not mean denial of insurance services to the public
➢AML / CFT guidelines place the responsibility of a robust program on the insurance companies for guarding against insurance products being used to launder unlawfully derived funds or to finance terrorist acts.
➢Records of transactions reported to FIU will have to be retained for 10 years beginning from the date of occurrence of transaction
➢The insurance premium generally increases with the increase in risk.
➢The IRDA (Manner of receipt of premium) Regulations prescribe the alternative modes of payment of premium.
➢As per Section 64VB of the Insurance Act 1938, the insurer shall be on risk only after the receipt of the premium by the insurer except in cases where premium has been paid in cash.

➢In the case of a policy of general insurance, where the remittance made by the proposer or the policyholder is not realised by the insurer, the policy shall be treated as void **ab inito** i.e. as if no policy existed.
➢In the case of a life insurance policy, the continuance of the risk or otherwise shall depend on the terms and conditions of the policy entered into.
➢Under the Motor Vehicles Act, insurers do not have 'non-receipt of premium or non-realization of cheque' as a defence against payment of compensation to the third party.
➢There is relaxation to the provisions of section 64 VB (I) for of certain categories of insurance.

➢The transfer or assignment is complete and effectual only when the execution of such endorsement or instrumental is duly attested so far as transferee / assignee is concerned.

➢A conditional assignment is valid only if the specified event happens during the life time of the life assured. Assignee can be anybody including a minor. An absolute assignment transfers to the assignee all rights, title and interest of the assignor in the policy.

➢The insured can nominate a family member/s to receive the policy moneys in the event of his death. Nomination can be made at the time of taking the policy or anytime during the tenure of the policy. Nomination can also be changed / cancelled anytime during the tenure of the policy.

➢No person is allowed to either directly or indirectly offer an inducement to any person to take or renew or continue an insurance policy.

➢An insurer can repudiate the policy on the ground that any material fact in the proposal or document in inaccurate or false within two years from the date of the policy.

➢For policies under Sickness Insurance, Group Personal Accident Insurance, Medical Benefits Insurance and Hospitalization Insurance Schemes, the installment of the premium covering a particular period must be paid within 15 days from the date of commencement of that period.

➢Insurance Regulatory and Development Authority (IRDA) has made continuous efforts requiring insurers to follow certain guidelines relating to discloures and increase their efforts to ensure that required information is available to prospects and policyholders.

➢There are two stages of an insurance policy – pre-sale and post-sale.

➢IRDA aims to ensure fair treatment to all the policyholders

➢There should be utmost transparency at the time of sale and promotion so that the policy holder is sure that he or she is being given complete information regarding the product.

➢Forms and documents used in the grant of cover may be made available in languages recognized under the Constitution of India. The proposal form should not be complex and too long.

➢Consumer is a person who buys goods / services for a consideration.
➢The Consumer Protection Act, 1986 for the redressal of consumer complaints provides three-tier quasi-judicial machinery at the National, State and District levels.

➢Jurisdiction: District forum where the value of services and compensation claimed does not exceed Rs 20 lakhs. State commission above Rs 20 lakhs to Rs 1 crore. National commission: excess of Rs 1 crore.
➢The Redressal of Public Grievances Rules, 1998 have been formulated to resolve all complaints relating to the settlement of claims on the part of the insurance companies in a cost effective, efficient and impartial manner
➢The Insurance Ombudsman has been established to quickly dispose the grievances of the insurance consumers and lessen the problems involved in redressing complaints. [1]

➢Insurance serves a great social need of providing financial security.

➢The Government protects its citizens' welfare through the system of insurance.

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[1] https://irdaexam.in/ic-14-regulation-of-insurance-business-for-licentiate-exam/

➢The contract between the insured and the insurer, in essence, is a promise of

indemnification (reimbursement for the loss) in the event of a loss.

➢The regulator creates a proper legal environment to ensure that the policyholder is protected and when he comes to the insurer after a loss, his contractual rights are protected. Regulations are created to protect the policyholder.

➢IRDA has laid down rules and regulation for insurance companies pertaining

to licensing, premium investment, solvency margins, standardisation and

pricing of insurance products.

➢Over the last two decades, a lot of reforms have happened in insurance

regulation worldwide and many international bodies have contributed to

insurance reform.

➢International Association of Insurance Supervisors (IAIS) is a full time body working for the better regulation and development of insurance.

➢IAIS issues global insurance principles, standards and guidance papers, provides training and support on issues related to insurance supervision, and organises meetings and seminars for insurance supervisors.