

Insurance amendment Bill, 2021

March 19, 2021

In News: The Insurance (Amendment) Bill, 2021 was introduced in Rajya Sabha by the Minister of Corporate Affairs, Ms. Nirmala Sitharaman, on March 15, 2021.

The Insurance (Amendment) Bill, 2021

- The Bill amends the Insurance Act, 1938. The Act provides the framework for functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator. The Bill seeks to increase the maximum foreign investment allowed in an Indian insurance company.

Foreign investment

Current Situation:

- The Act allows foreign investors to hold up to 49% of the capital in an Indian insurance company.
- Must be owned and controlled by an Indian entity.

Mentioned in Bill:

- The Bill increases the limit on foreign investment in an Indian insurance company from 49% to 74%.
- Removes restrictions on ownership and control.
- Such foreign investment may be subject to additional conditions as prescribed by the central government.

Investment of assets

Current Situation:

- The Act requires insurers to hold a minimum investment in assets which would be sufficient to clear their

insurance claim liabilities.

- If the insurer is incorporated or domiciled outside India, such assets must be held in India in a trust and vested with trustees who must be residents of India.
- The Act specifies in an explanation that this will also apply to an insurer incorporated in India, in which at least:
 - 33% capital is owned by investors domiciled outside India, or
 - 33% of the members of the governing body are domiciled outside India.

Mentioned in Bill:

- The Bill removes this explanation.

Insurance Regulatory Development Authority (IRDA)

- Statutory body set up by the IRDA Act, 1999.
- It is an autonomous and apex body which has the responsibility to regulate and control the Insurance sector in India.
- Insurance Regulatory Development Authority (IRDA) was established after the recommendations of Malhotra Committee report of 1994.
- IRDA received the status of a statutory body in 2000 by the Indian Parliament.
- Initially, IRDA was set up as an autonomous body headquartered at New Delhi. The headquarters of IRDA was later shifted to Hyderabad, Telangana in 2001.
- The Government of India appoints the Chairman and other members of the Insurance Regulatory Development Authority (IRDA).

The responsibilities of IRDA

- Making and implementing regulatory rules, guidelines, and classifications along with the developmental and promotional role.

- IRDA is expected to facilitate the economic growth of the market, protect the interests of policyholders and facilitate a healthy growth of the Insurance sector.

Mission and vision of the Insurance Regulatory Development Authority (IRDA)

- The protection of the interests of policyholders and ensuring fair treatment of the investments of policyholders.
- To speed up the orderly growth of the Insurance sector to ensure the benefit of the common man and for providing long term funds for increasing the growth rate of Indian economy.
- To ensure the promotion, monitoring, and enforcement of high standards of integrity, competence, financial soundness and fair dealing of those which are regulated by the IRDA.
- To ensure fair, transparent and ordinary conduct in the financial market which deals with insurance services and to build a reliable management information system for enforcing higher standards of financial soundness among the insurance market players.
- To ensure that proper actions are taken in case such standards are inadequate or are enforced ineffectively.
- To promote self regulation in the day today working activities of the insurance industry which are consistent with the prudential regulatory requirements.