

IndiaCode

The Insurance Regulatory and Development Authority Act, 1999

(ACT NO. 41 OF 1999)

[*As on the* 1*st June,* 2026]

LIST OF AMENDING ACTS

1. The Insurance Laws (Amendment) Act, 2015 (5 of 2015).
2. The International Financial Services Centres Authority Act, 2019 (50 of 2019).
3. The *Sabka Bima Sabki Raksha* (Amendment of Insurance Laws) Act, 2025 (40 of 2025).

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LIST OF ABBREVIATIONS USED

Cl., cls.	*for*	Clause, clauses.
Ins.	,,	Inserted.
Notifn.	,,	Notification.
S., ss.	,,	Section, sections.
Sch.	,,	Schedule.
Subs.	,,	Substituted.
w.e.f.	,,	with effect from.

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THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

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THE FIRST SCHEDULE.
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THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

ACT NO. 41 OF 1999

[29*th December*, 1999.]

An Act to provide for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto and further to amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972.

BE it enacted by Parliament in the Fiftieth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement.—(*1*) This Act may be called the Insurance Regulatory and Development Authority Act, 1999.

(*2*) It extends to the whole of India.

(*3*) It shall come into force on such date[1] as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

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2. Definitions.—(*1*) In this Act, unless the context otherwise requires,—

(*a*) "appointed day" means the date on which the Authority is established under sub-section (*1*) of section 3;

(*b*) "Authority" means the Insurance Regulatory and Development Authority [2][of India] established under sub-section (*1*) of section 3;

(*c*) "Chairperson" means the Chairperson of the Authority;

(*d*) "Fund" means the Insurance Regulatory and Development Authority Fund constituted under sub-section (*1*) of section 16;

(*e*) "Interim Insurance Regulatory Authority" means the Insurance Regulatory Authority set up by the Central Government through Resolution No. 17(*2*)/94-Ins.-V, dated the 23rd January, 1996;

[3][(*f*) "insurance intermediary" shall have the same meaning as assigned to it in clause (*10B*) of section 2 of the Insurance Act, 1938 (4 of 1938);]

(*g*) "member" means a whole-time or a part-time member of the Authority and includes the Chairperson;

(*h*) "notification" means a notification published in the Official Gazette;

(*i*) "prescribed" means prescribed by rules made under this Act;

(*j*) "regulations" means the regulations made by the Authority.

(*2*) Words and expressions used and not defined in this Act but defined in the Insurance Act, 1938 (4 of 1938) or the Life Insurance Corporation Act, 1956 (31 of 1956) or the General Insurance Business

1.19th April, 2000, *vide* notifn. no. S.O. 397(E), dated 19th April, 2000, *see* Gazette of India, Extraordinary, Part II, sec. 3(*ii*).

2. Ins. by Act 5 of 2015, s. 105 (w.e.f. 26-12-2014).

3. Subs. by Act 40 of 2025, s. 87, for cl. (*f*) (w.e.f. 05-02-2026).

(Nationalisation) Act, 1972 (57 of 1972) shall have the meanings respectively assigned to them in those Acts.

CHAPTER II

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

3. Establishment and incorporation of Authority.—(*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 [1][of India]".

(*2*) 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.

(*3*) The head office of the Authority shall be at such place as the Central Government may decide from time to time.

(*4*) The Authority may establish offices at other places in India.

4. Composition of Authority.—The Authority shall consist of the following members, namely:—

(*a*) a Chairperson;

(*b*) not more than five whole-time members;

(*c*) not more than four part-time members,

to be appointed by the Central Government from amongst persons of ability, integrity and standing who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration [2][, information technology] or any other discipline which would, in the opinion of the Central Government, be useful to the Authority:

Provided that the Central Government shall, while appointing the Chairperson and the whole-time members, ensure that at least one person each is a person having knowledge or experience in life insurance, general insurance or actuarial science, respectively.

5. Tenure of office of Chairperson and other members.—[3][(*1*) The term of office of the Chairperson and other whole-time members shall be five years from the date on which they enter upon their office or till they attain the age of sixty-five years, whichever is earlier, and shall be eligible for reappointment.]

(*2*) A part-time member shall hold office for a term not exceeding five years from the date on which he enters upon his office.

(*3*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*2*), a member may—

(*a*) relinquish his office by giving in writing to the Central Government notice of not less than three months; or

(*b*) be removed from his office in accordance with the provisions of section 6.

6. Removal from office.—(*1*) The Central Government may remove from office any member who—

(*a*) is, or at any time has been, adjudged as an insolvent; or

(*b*) has become physically or mentally incapable of acting as a member; or

(*c*) has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude; or

(*d*) has acquired such financial or other interest as is likely to affect prejudicially his functions as a member; or

1. Ins. by Act 5 of 2015, s. 106 (w.e.f. 26-12-2014).
2. Ins. by Act 40 of 2025, s. 88 (w.e.f. 05-02-2026).
3. Subs. by s. 89, *ibid*., for sub-section (*1*) (w.e.f. 05-02-2026).

(*e*) has so abused his position as to render his continuation in office detrimental to the public interest.

(*2*) No such member shall be removed under clause (*d*) or clause (*e*) of sub-section (*1*) unless he has been given a reasonable opportunity of being heard in the matter.

7. Salary and allowances of Chairperson and members.—(*1*) The salary and allowances payable to, and other terms and conditions of service of, the members other than part-time members shall be such as may be prescribed.

(*2*) The part-time members shall receive such allowances as may be prescribed.

(*3*) The salary, allowances and other conditions of service of a member shall not be varied to his disadvantage after appointment.

8. Bar on future employment of members.—The Chairperson and the whole-time members shall not, for a period of two years from the date on which they cease to hold office as such, except with the previous approval of the Central Government, accept—

(*a*) any employment either under the Central Government or under any State Government; or

(*b*) any appointment in any company in the insurance sector.

9. Administrative powers of Chairperson.—The Chairperson shall have the powers of general superintendence and direction in respect of all administrative matters of the Authority.

10. Meetings of Authority.—(*1*) The Authority shall meet at such time and places and shall observe such rules and procedures in regard to transaction of business at its meetings (including quorum at such meetings) as may be determined by the regulations.

(*2*) The Chairperson, or if for any reason he is unable to attend a meeting of the Authority, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting.

(*3*) All questions which come up before any meeting of the Authority shall be decided by a majority of votes by the members present and voting, and in the event of an equality of votes, the Chairperson, or in his absence, the person presiding shall have a second or casting vote.

(*4*) The Authority may make regulations for the transaction of business at its meetings.

11. Vacancies, etc., not to invalidate proceedings of Authority.—No act or proceeding of the Authority shall be invalid merely by reason of—

(*a*) any vacancy in, or any defect in the constitution of, the Authority; or

(*b*) any defect in the appointment of a person acting as a member of the Authority; or

(*c*) any irregularity in the procedure of the Authority not affecting the merits of the case.

12. Officers and employees of Authority.—(*1*) The Authority may appoint officers and such other employees as it considers necessary for the efficient discharge of its functions under this Act.

(*2*) The terms and other conditions of service of officers and other employees of the Authority appointed under sub-section (*1*) shall be governed by the regulations made under this Act.

CHAPTER III

TRANSFER OF ASSETS, LIABILITIES, ETC., OF INTERIM INSURANCE REGULATORY AUTHORITY

13. Transfer of assets, liabilities, etc., of Interim Insurance Regulatory Authority.—On the appointed day,—

(*a*) all the assets and liabilities of the Interim Insurance Regulatory Authority shall stand transferred to, and vested in, the Authority.

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Explanation.—The assets of the Interim Insurance Regulatory Authority shall be deemed to include all rights and powers, and all properties, whether movable or immovable, including, in particular, cash balances, deposits and all other interests and rights in, or arising out of, such properties as may be in the possession of the Interim Insurance Regulatory Authority and all books of account and other documents relating to the same; and liabilities shall be deemed to include all debts, liabilities and obligations of whatever kind;

(*b*) without prejudice to the provisions of clause (*a*), all debts, obligations and liabilities incurred, all contracts entered into and all matters and things engaged to be done by, with or for the Interim Insurance Regulatory Authority immediately before that day, for or in connection with the purpose of the said Regulatory Authority, shall be deemed to have been incurred, entered into or engaged to be done by, with or for, the Authority;

(*c*) all sums of money due to the Interim Insurance Regulatory Authority immediately before that day shall be deemed to be due to the Authority; and

(*d*) all suits and other legal proceedings instituted or which could have been instituted by or against the Interim Insurance Regulatory Authority immediately before that day may be continued or may be instituted by or against the Authority.

CHAPTER IV

DUTIES, POWERS AND FUNCTIONS OF AUTHORITY

14. Duties, powers and functions of Authority.—(*1*) Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

(*2*) Without prejudice to the generality of the provisions contained in sub-section (*1*), the powers and functions of the Authority shall include,—

(*a*) issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

(*b*) protection of the interests of the policy-holders in matters concerning assigning of policy, nomination by policy-holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

(*c*) specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

(*d*) specifying the code of conduct for surveyors and loss assessors;

(*e*) promoting efficiency in the conduct of insurance business;

(*f*) promoting and regulating professional organisations connected with the insurance and re-insurance business;

(*g*) levying fees and other charges for carrying out the purposes of this Act;

(*h*) calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

(*i*) control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business [1]***;

(*j*) specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;

(*k*) regulating investment of funds by insurance companies;

(*l*) regulating maintenance of margin of solvency;

(*m*) adjudication of disputes between insurers and intermediaries or insurance intermediaries;

1. Certain words omitted by Act 40 of 2025, s. 90 (w.e.f. 05-02-2026).

[1][(*n*) imposing such penalty as specified in section 102 of the Insurance Act, 1938 (4 of 1938) and for any violation of the provisions of this Act or rules or regulations made thereunder;]

(*o*) specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (*f*);

(*p*) specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

(*q*) exercising such other powers as may be prescribed.

[2][**14A. Power of Authority to collect policy information.**—The Authority may, for the purpose of efficient discharge of its functions and to regulate and develop the insurance business—

(*a*) collect in such manner as it may think fit, information relating to policies and claims from any insurer or other regulated entities; and

(*b*) furnish such information to any insurer or other regulated entities in accordance with the provisions of section 14C.

14B. Power to call for returns containing policy information.—(*1*) For the purpose of enabling the Authority to discharge its functions under this Act and the Insurance Act, 1938 (4 of 1938), it may at any time direct any insurer or other regulated entities to submit statements relating to policies and policyholder related information in such form and within such time as may be specified by the regulations.

(*2*) Notwithstanding anything to the contrary contained in any law for the time being in force or in any instrument regulating the constitution thereof or in any agreement executed by it, relating to the secrecy of its dealings with its constituents, an insurer or other regulated entities shall comply with any direction issued under sub-section (*1*).

14C. Procedure for furnishing policyholder and policy related information to insurer or other regulated entities.—(*1*) The insurer may, in connection with any insurance policy issued or proposed to be issued by it, to any person, make an application to the Authority in such form as the Authority may specify by the regulations.

(*2*) The Authority shall process the application made under sub-section (*1*) within such period as may be specified by the regulations only after the insurer confirms to the Authority that the person has consented to provide access of his policy related information in accordance with the existing law and regulations framed in this regard including the preservation of evidence of such consent.

(*3*) On receipt of an application under sub-section (*1*), the Authority shall, as soon as may be, furnish the applicant with such policy related information as specified in the application, as may be in its possession:

Provided that the information so furnished shall not disclose the names of the insurer or other regulated entities that has submitted such information to the Authority.

(*4*) The Authority may in respect of each application levy such fees, as it may deem fit for furnishing such information.

14D. Disclosure of information prohibited.—(*1*) Any information contained in any statement submitted by an insurer or other regulated entities under section 14B or furnished by the Authority to any insurer or other regulated entities under section 14C, shall be treated as confidential and shall not, except for the specified intended purposes, be published or otherwise disclosed.

(*2*) Nothing in this section shall apply to—

(*a*) the disclosure by any insurer or other regulated entities, with the previous permission of the Authority, of any information furnished to the Authority under section 14B or 14C;

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1. Subs. by Act 40 of 2025, s. 90, for cl. (*n*) (w.e.f. 05-02-2026).
2. Ins. by s. 91, *ibid*. (w.e.f. 05-02-2026).

(*b*) the publication by the Authority, if it considers necessary in the public interest so to do, of any information collected by it under section 14B or 14C, in such consolidated form as it may think fit without disclosing the name of any insurer or other regulated entities or the policyholder;

(*c*) the disclosure or publication by the Authority or the insurer or other regulated entities of any policy related information to any other insurance company, intermediary or regulated entity as permitted by the Authority under the regulations to be issued from time to time.

(*3*) Notwithstanding anything contained in any law for the time being in force, no court, tribunal or other authority shall compel the Authority or any insurer or other regulated entities to produce or to give inspection of any statement submitted by that insurer or other regulated entities under section 14B or 14C or to disclose any policy related information furnished by the Authority to that insurer or other regulated entities under section 14C.

14E. Power to authorise.—The Authority may, for the efficient discharge of its functions under sections 14A to 14D, by a general or special order in writing, authorise any entity regulated by it or any other statutory body having similar objectives to perform such functions as specified in the said order.]

CHAPTER V

FINANCE, ACCOUNTS AND AUDIT

15. Grants by Central Government.—The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the Authority grants of such sums of money as the Government may think fit for being utilised for the purposes of this Act.

16. Constitution of Fund.—(*1*) There shall be constituted a fund to be called "the Insurance Regulatory and Development Authority Fund" and there shall be credited thereto—

(*a*) all Government grants, fees and charges received by the Authority;

(*b*) all sums received by the Authority from such other source as may be decided upon by the Central Government.

[1]* * * * *

(*2*) The Fund shall be applied for meeting—

(*a*) the salaries, allowances and other remuneration of the members, officers and other employees of the Authority;

(*b*) the other expenses of the Authority in connection with the discharge of its functions and for the purposes of this Act [2][and the Insurance Act, 1938 (4 of 1938)];

[2][(*c*) the capital expenditure, as per annual capital expenditure plan approved by the Authority.]

[2][(*3*) The Authority shall constitute a Reserve Fund and twenty-five per cent. of the annual surplus of the Fund in any year shall be credited to such Reserve Fund and such fund shall not exceed the total of annual expenditure of preceding three financial years.

(*4*) After incurring all the expenses referred to in sub-section (*2*) and transfer to Reserve Fund as specified in sub-section (*3*), the surplus of the Fund shall be transferred to the Consolidated Fund of India.

Explanation.—For the purposes of this section, the expression "Reserve Fund" means a fund to hold the surplus of the Fund, in the form and manner specified in sub-section (*3*) of section 16.]

[3]**[16A. Constitution of Policyholders' Education and Protection Fund**.—(*1*) The Authority shall constitute a fund to be called the Policyholders' Education and Protection Fund.

(*2*) There shall be credited to the Policyholders' Education and Protection Fund the following amounts, namely:—

1. Cl. (*c*) omitted by Act 5 of 2015, s. 107 (w.e.f. 26-12-2014).
2. Ins. by Act 40 of 2025 s. 92 (w.e.f. 05-02-2026).
3. Ins. by s. 93, *ibid*. (w.e.f. 05-02-2026).

(*a*) any grants and donations given to the Policyholders' Education and Protection Fund by the Central Government, State Governments, the Authority, companies or any other institutions for the purposes of the Policyholders' Education and Protection Fund;

(*b*) the sums realised by way of penalties by the Authority under this Act or the Insurance Act, 1938 (4 of 1938) or rules and regulations thereunder; and

(*c*) such other sums as may be specified by the regulations.

(*3*) The Policyholders' Education and Protection Fund shall be administered and utilised by the Authority for education of policyholders and protection of the interests of policyholders in the manner and for such other purposes as may be specified by the regulations.]

17. Accounts and audit.—(*1*) The Authority shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.

(*2*) The accounts of the Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Authority to the Comptroller and Auditor-General.

(*3*) The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Authority shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books of account, connected vouchers and other documents and papers and to inspect any of the offices of the Authority.

(*4*) The accounts of the Authority as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.

CHAPTER VI

MISCELLANEOUS

18. Power of Central Government to issue directions.—(*1*) Without prejudice to the foregoing provisions of this Act, the Authority shall, in exercise of its powers or the performance of its functions under this Act, be bound by such directions on questions of policy, other than those relating to technical and administrative matters, as the Central Government may give in writing to it from time to time:

Provided that the Authority shall, as far as practicable, be given an opportunity to express its views before any direction is given under this sub-section.

(*2*) The decision of the Central Government, whether a question is one of policy or not, shall be final.

19. Power of Central Government to supersede Authority.—(*1*) If, at any time the Central Government is of the opinion,—

(*a*) that, on account of circumstances beyond the control of the Authority, it is unable to discharge the functions or perform the duties imposed on it by or under the provisions of this Act; or

(*b*) that the Authority has persistently defaulted in complying with any direction given by the Central Government under this Act or in the discharge of the functions or performance of the duties imposed on it by or under the provisions of this Act and as a result of such default the financial position of the Authority or the administration of the Authority has suffered; or

(*c*) that circumstances exist which render it necessary in the public interest so to do,

the Central Government may, by notification and for reasons to be specified therein, supersede the Authority for such period, not exceeding six months, as may be specified in the notification and appoint a person to be the Controller of Insurance under section 2B of the Insurance Act, 1938 (4 of 1938), if not already done:

Provided that before issuing any such notification, the Central Government shall give a reasonable opportunity to the Authority to make representations against the proposed supersession and shall consider the representations, if any, of the Authority.

(*2*) Upon the publication of a notification under sub-section (*1*) superseding the Authority,—

(*a*) the Chairperson and other members shall, as from the date of supersession, vacate their offices as such;

(*b*) all the powers, functions and duties which may, by or under the provisions of this Act, be exercised or discharged by or on behalf of the Authority shall, until the Authority is reconstituted under sub-section (*3*), be exercised and discharged by the Controller of Insurance; and

(*c*) all properties owned or controlled by the Authority shall, until the Authority is reconstituted under sub-section (*3*), vest in the Central Government.

(*3*) On or before the expiration of the period of supersession specified in the notification issued under sub-section (*1*), the Central Government shall reconstitute the Authority by a fresh appointment of its Chairperson and other members and in such case any person who had vacated his office under clause (*a*) of sub-section (*2*) shall not be deemed to be disqualified for reappointment.

(*4*) The Central Government shall cause a copy of the notification issued under sub-section (*1*) and a full report of any action taken under this section and the circumstances leading to such action to be laid before each House of Parliament at the earliest.

20. Furnishing of returns, etc., to Central Government.—(*1*) The Authority shall furnish to the Central Government at such time and in such form and manner as may be prescribed, or as the Central Government may direct to furnish such returns, statements and other particulars in regard to any proposed or existing programme for the promotion and development of the insurance industry as the Central Government may, from time to time, require.

(*2*) Without prejudice to the provisions of sub-section (*1*), the Authority shall, within nine months after the close of each financial year, submit to the Central Government a report giving a true and full account of its activities including the activities for promotion and development of the insurance business during the previous financial year.

(*3*) Copies of the reports received under sub-section (*2*) shall be laid, as soon as may be after they are received, before each House of Parliament.

21. Chairperson, members, officers and other employees of Authority to be public servants.—The Chairperson, members, officers and other employees of the Authority shall be deemed, when acting or purporting to act in pursuance of any of the provisions of this Act, to be public servants within the meaning of section 21 of the Indian Penal Code (45 of 1860).

22. Protection of action taken in good faith.—No suit, prosecution or other legal proceedings shall lie against the Central Government or any officer of the Central Government or any member, officer or other employee of the Authority for anything which is in good faith done or intended to be done under this Act or the rules or regulations made thereunder:

Provided that nothing in this Act shall exempt any person from any suit or other proceedings which might, apart from this Act, be brought against him.

23. Delegation of powers.—[1][(*1*) The Authority may, for the efficient discharge of its functions under this Act, by a general or special order in writing by notification, delegate to the Chairperson or any other member or any officer of the Authority, subject to such conditions or restrictions, if any, as may be specified in the order, such of its powers and functions under this Act, except the power to make regulations and the power to register an insurer, as it may deem necessary or expedient.]

(*2*) The Authority may, by a general or special order in writing, also form committees of the members and delegate to them the powers and functions of the Authority as may be specified by the regulations.

1. Subs. by Act 40 of 2025, s. 94, for sub-section (*1*) (w.e.f. 05-02-2026).

[1][**23A. Powers of Authority not to apply to International Financial Services Centre.**—Notwithstanding anything contained in any other law for the time being in force, the powers exercisable by the Authority under this Act,—

(*a*) shall not extend to an International Financial Services Centre set up under sub-section (*1*) of section 18 of the Special Economic Zones Act, 2005 (28 of 2005);

(*b*) shall be exercisable by the International Financial Services Centres Authority established under sub-section (*1*) of section 4 of the International Financial Services Centres Authority Act, 2019 (50 of 2019),

in so far as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.]

24. Power to make rules.—(*1*) The Central Government may, by notification, make rules for carrying out the provisions of this Act.

(*2*) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the salary and allowances payable to, and other terms and conditions of service of, the members other than part-time members under sub-section (*1*) of section 7;

(*b*) the allowances to be paid to the part-time members under sub-section (*2*) of section 7;

(*c*) such other powers that may be exercised by the Authority under clause (*q*) of sub-section (*2*) of section 14;

(*d*) the form of annual statement of accounts to be maintained by the Authority under sub-section (*1*) of section 17;

(*e*) the form and manner in which and the time within which returns and statements and particulars are to be furnished to the Central Government under sub-section (*1*) of section 20;

(*f*) the matters under sub-section (*5*) of section 25 on which the Insurance Advisory Committee shall advise the Authority;

(*g*) any other matter which is required to be, or may be, prescribed, or in respect of which provision is to be or may be made by rules.

25. Establishment of Insurance Advisory Committee.—(*1*) The Authority may, by notification, establish with effect from such date as it may specify in such notification, a Committee to be known as the Insurance Advisory Committee.

(*2*) The Insurance Advisory Committee shall consist of not more than twenty-five members excluding *ex officio* members to represent the interests of commerce, industry, transport, agriculture, consumer fora, surveyors, agents, intermediaries, organisations engaged in safety and loss prevention, research bodies and employees' association in the insurance sector.

(*3*) The Chairperson and the members of the Authority shall be the *ex officio* Chairperson and *ex officio* members of the Insurance Advisory Committee.

(*4*) The objects of the Insurance Advisory Committee shall be to advise the Authority on matters relating to the making of the regulations under section 26.

(*5*) Without prejudice to the provisions of sub-section (*4*), the Insurance Advisory Committee may advise the Authority on such other matters as may be prescribed.

26. Power to make regulations.—[2][(*1*) The Authority may, in consultation with the Insurance Advisory Committee, by notification make regulations consistent with the provisions of this Act and the

1. Ins. by Act 50 of 2019, s. 33 and Sch. II (w.e.f. 1-10-2020).
2. Subs. by Act 40 of 2025, s. 95, for sub-section (*1*) (w.e.f. 05-02-2026).

rules made thereunder, to carry out the purposes of this Act and while making the regulations shall ensure transparency by—

(*a*) publishing draft regulations along with such other details as may be specified on its website and inviting public comments for a specified period prior to issuing such regulations;

(*b*) publishing a general statement of its response to the public comments, not later than the date of notification of the regulations; and

(*c*) periodically reviewing such regulations:

Provided that if the Authority is of the opinion that certain regulations are required to be made or existing regulations to be amended urgently in the public interest or the subject matter of the regulation relates solely to the internal functioning of the Authority, it may dispense with the condition of publishing draft regulations and record the reason for doing so:

Provided further that if the Authority decides to approve regulations in a form substantially different from the proposed regulations other than changes made in consideration of comments received by it, it shall repeat the process mentioned in this sub-section.]

(*2*) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:—

(*a*) the time and places of meetings of the Authority and the procedure to be followed at such meetings including the quorum necessary for the transaction of business under sub-section (*1*) of section 10;

(*b*) the transaction of business at its meetings under sub-section (*4*) of section 10;

(*c*) the terms and other conditions of service of officers and other employees of the Authority under sub-section (*2*) of section 12;

(*d*) the powers and functions which may be delegated to committees of the members under sub-section (*2*) of section 23; and

(*e*) any other matter which is required to be, or may be, specified by regulations or in respect of which provision is to be or may be made by regulations.

27. Rules and regulations to be laid before Parliament.—Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

28. Application of other laws not barred.—The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

29. Power to remove difficulties.—(*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the appointed day.

(*2*) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

30. Amendment of Act 4 of 1938.—The Insurance Act, 1938 shall be amended in the manner specified in the First Schedule to this Act.

31. Amendment of Act 31 of 1956.—The Life Insurance Corporation Act, 1956 shall be amended in the manner specified in the Second Schedule to this Act.

32. Amendment of Act 57 of 1972.—The General Insurance Business (Nationalisation) Act, 1972 shall be amended in the manner specified in the Third Schedule to this Act.

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THE FIRST SCHEDULE

(*See* section 30)

AMENDMENTS TO THE INSURANCE ACT, 1938

(4 OF 1938)

1. In the Act, except in clause (*5B*) of section 2 and section 2B, for "Controller" wherever it occurs, substitute "Authority" and such consequential changes as the rules of grammar may require shall also be made.

2. In sections 27, 27A, 27B, 31, 32A, 40A, 48B, 64F, 64G, 64-I, 64J, 64L, 64R, 64UC, 64UM, 113 and 115, for "Central Government" wherever they occur, substitute "Authority".

3. Section 2,—

(*a*) after clause (*1*), insert the following:—

'(*1A*) "Authority" means the Insurance Regulatory and Development Authority established under sub-section (*1*) of section 3 of the Insurance Regulatory and Development Authority Act, 1999;';

(*b*) for clause (*5B*), substitute the following:—

'(*5B*) "Controller of Insurance" means the officer appointed by the Central Government under section 2B to exercise all the powers, discharge the functions and perform the duties of the Authority under this Act or the Life Insurance Corporation Act, 1956 (31 of 1956) or the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) or the Insurance Regulatory and Development Authority Act, 1999;';

(*c*) after clause (*7*), insert the following:—

'(*7A*) "Indian insurance company" means any insurer being a company—

(*a*) which is formed and registered under the Companies Act, 1956 (1 of 1956);

(*b*) in which the aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, do not exceed twenty-six per cent. paid-up equity capital of such Indian insurance company;

(*c*) whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business.

Explanation.—For the purposes of this clause, the expression "foreign company" shall have the meaning assigned to it under clause (*23A*) of section 2 of the Income-tax Act, 1961 (43 of 1961);';

(*d*) in clause (*14*), for "section 114", substitute "this Act".

4. After section 2, insert the following:—

"**2A. Interpretation of certain words and expressions.**—Words and expressions used and not defined in this Act but defined in the Life Insurance Corporation Act, 1956 (31 of 1956), the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and the Insurance Regulatory and Development Authority Act, 1999 shall have the meanings respectively assigned to them in those Acts.".

5. Section 2B, for sub-section (*1*), substitute the following:—

"(*1*) If at any time, the Authority is superseded under sub-section (*1*) of section 19 of the Insurance Regulatory and Development Authority Act, 1999, the Central Government may, by notification in the Official Gazette, appoint a person to be the Controller of Insurance till such time the Authority is reconstituted under sub-section (*3*) of section 19 of that Act.".

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6. Section 2C, in sub-section (*1*), after the second proviso, insert the following:—

"Provided also that no insurer other than an Indian insurance company shall begin to carry on any class of insurance business in India under this Act on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999.".

7. Section 3,—

(*a*) in sub-section (*1*), after the first proviso, insert the following:—

"Provided further that a person or insurer, as the case may be, carrying on any class of insurance business in India, on or before the commencement of the Insurance Regulatory and Development Authority Act, 1999, for which no registration certificate was necessary prior to such commencement, may continue to do so for a period of three months from such commencement or, if he had made an application for such registration within the said period of three months, till the disposal of such application:

Provided also that any certificate of registration, obtained immediately before the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall be deemed to have been obtained from the Authority in accordance with the provisions of this Act.";

(*b*) in sub-section (*2*),—

(*i*) in the opening portion, for "Every application for registration shall be accompanied by—", substitute the following:—

"Every application for registration shall be made in such manner as may be determined by the regulations made by the Authority and shall be accompanied by—";

(*ii*) in clause (*d*), for "working capital", substitute "paid-up equity capital or working capital";

(*iii*) in clause (*f*), in the proviso, omit "and" occurring at the end;

(*iv*) for clause (*g*), substitute the following:—

"(*g*) the receipt showing payment of fee as may be determined by the regulations which shall not exceed fifty thousand rupees for each class of business as may be specified by the regulations made by the Authority;

(*h*) such other documents as may be specified by the regulations made by the Authority;";

(*c*) after sub-section (*2A*), insert—

"(*2AA*) The Authority shall give preference to register the applicant and grant him a certificate of registration if such applicant agrees, in the form and manner as may be specified by the regulations made by the Authority, to carry on the life insurance business or general insurance business for providing health cover to individuals or group of individuals.";

(*d*) in sub-section (*4*),—

(*i*) in clause (*f*), for "of any rule or order made thereunder, or", substitute the following:—

"of any rule or any regulation or order made or, any direction issued thereunder, or";

(*ii*) in clause (*h*), insert "or" at the end;

(*iii*) after clause (*h*), insert the following:—

"(*i*) if the insurer makes a default in complying with any direction issued or order made, as the case may be, by the Authority under the Insurance Regulatory and Development Authority Act, 1999, or

(*j*) if the insurer makes a default in complying with, or acts in contravention of, any requirement of the Companies Act, 1956 (1 of 1956) or the Life Insurance Corporation Act, 1956 (31 of 1956) or the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) or the Foreign Exchange Regulation Act, 1973 (46 of 1973).";

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(*e*) in sub-section (*5C*),—

(*i*) for "clause (*h*)", substitute "clause (*h*) or clause (*i*) or clause (*j*)";

(*ii*) for "any requirement of this Act or of any rule or order made thereunder", substitute the following:—

"any requirement of this Act or the Insurance Regulatory and Development Authority Act, 1999, or of any rule or any regulation, or any order made thereunder or any direction issued under those Acts";

(*f*) after sub-section (*5D*), insert the following:—

"(*5E*) The Authority may, by order, suspend or cancel any registration in such manner as may be determined by the regulations made by it:

Provided that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.";

(*g*) for sub-section (*7*), substitute the following:—

"(*7*) The Authority may, on payment of such fee, not exceeding five thousand rupees, as may be determined by the regulations, issue a duplicate certificate of registration to replace a certificate lost, destroyed or mutilated, or in any other case where the Authority is of opinion that the issue of duplicate certificate is necessary.".

8. Section 3A,—

(*a*) in sub-section (*1*), for "the 31st day of December, 1941.", substitute the following:—

"the 31st day of March, after the commencement of the Insurance Regulatory and Development Authority Act, 1999.";

(*b*) in sub-section (*2*),—

(*i*) for "prescribed fee", substitute "fee as determined by the regulations made by the Authority";

(*ii*) for clause (*i*), substitute the following:—

"(*i*) exceed one-fourth of one per cent. of such premium income or rupees five crores, whichever is less,";

(*iii*) for clause (*ii*), substitute the following:—

"(*ii*) be less, in any case, than fifty thousand rupees for each class of insurance business:";

(*c*) in sub-section (*3*), for "prescribed fee", substitute "fee as determined by the regulations made by the Authority";

(*d*) in sub-section (*4*), for "prescribed fee", substitute "fee as determined by the regulations made by the Authority, and".

9. For section 6, substitute the following:—

"**6. Requirement as to capital.**—No insurer carrying on the business of life insurance, general insurance or re-insurance in India on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall be registered unless he has,—

(*i*) a paid-up equity capital of rupees one hundred crores, in case of a person carrying on the business of life insurance or general insurance; or

(*ii*) a paid-up equity capital of rupees two hundred crores, in case of a person carrying on exclusively the business as a re-insurer:

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Provided that in determining the paid-up equity capital specified under clause (*i*) or clause (*ii*), the deposit to be made under section 7 and any preliminary expenses incurred in the formation and registration of the company shall be excluded:

Provided further that an insurer carrying on business of life insurance, general insurance or re-insurance in India before the commencement of the Insurance Regulatory and Development Authority Act, 1999 and who is required to be registered under this Act, shall have a paid-up equity capital in accordance with clause (*i*) and clause (*ii*), as the case may be, within six months of the commencement of that Act.".

10. Section 6A,—

(*a*) in sub-section (*4*), in clause (*b*),—

(*I*) in sub-clause (*i*), omit "and" occurring at the end;

(*II*) in sub-clause (*ii*), for "sanction of the Central Government has been obtained to the transfer.", substitute "approval of the Authority has been obtained to the transfer;";

(*III*) after sub-clause (*ii*), insert the following:—

'(*iii*) where, the nominal value of the shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally exceeds one per cent. of the paid-up equity capital of the insurer, unless the previous approval of the Authority has been obtained for the transfer.

Explanation.—For the purposes of this sub-clause, the expressions "group" and "same management" shall have the same meanings respectively assigned to them in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).';

(*b*) in sub-section (*11*),—

(*i*) for "*Explanation* 1", substitute "*Explanation*";

(*ii*) omit *Explanation* 2.

11. After section 6A, insert the following:—

"**6AA.** ***Manner of divesting excess shareholding by promoter in certain cases***.—(*1*) No promoter shall at any time hold more than twenty-six per cent. or such other percentage as may be prescribed, of the paid-up equity capital in an Indian insurance company:

Provided that in a case where an Indian insurance company begins the business of life insurance, general insurance or re-insurance in which the promoters hold more than twenty-six per cent. of the paid-up equity capital or such other excess percentage as may be prescribed, the promoters shall divest in a phased manner the share capital in excess of the twenty-six per cent. of the paid-up equity capital or such excess paid-up equity capital as may be prescribed, after a period of ten years from the date of the commencement of the said business by such Indian insurance company or within such period as may be prescribed by the Central Government.

Explanation.—For the removal of doubts, it is hereby declared that nothing contained in the proviso shall apply to the promoters being foreign company, referred to in sub-clause (*b*) of clause (*7A*) of section 2.

(*2*) The manner and procedure for divesting the excess share capital under sub-section (*1*) shall be specified by the regulations made by the Authority.".

12. Section 7,—

(*a*) in sub-section (*1*),—

(*i*) omit "not being an insurer specified in sub-clause (*c*) of clause (*9*) of section 2";

(*ii*) for clauses (*a*) and (*b*), substitute the following:—

"(*a*) in the case of life insurance business, a sum equivalent to one per cent. of his total gross premium written in India in any financial year commencing after the 31st day of March, 2000, not exceeding rupees ten crores;

(*b*) in the case of general insurance business, a sum equivalent to three per cent. of his total gross premium written in India, in any financial year commencing after the 31st day of March, 2000, not exceeding rupees ten crores;

(*c*) in the case of re-insurance business, a sum of rupees twenty crores:";

(*b*) omit sub-sections (*1A*), (*1B*), (*1C*), (*1D*) and (*1E*).

13. Section 11,—

(*a*) in sub-section (*1*), for "calendar year", substitute "financial year";

(*b*) after sub-section (*1*), insert the following:—

"(*1A*) Notwithstanding anything contained in sub-section (*1*), every insurer, on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, in respect of insurance business transacted by him and in respect of his shareholders' funds, shall, at the expiration of each financial year, prepare with reference to that year, a balance-sheet, a profit and loss account, a separate account of receipts and payments, a revenue account in accordance with the regulations made by the Authority.

(*1B*) Every insurer shall keep separate accounts relating to funds of shareholders and policy-holders.".

14. Section 13,—

(*a*) in sub-section (*1*),—

(*i*) for "once at least in every three years", substitute "every year";

(*ii*) in the first proviso, for "not later than four years", substitute "not later than two years";

(*iii*) after the second proviso, insert the following:—

"Provided also that for an insurer carrying on life insurance business in India immediately before the commencement of the Insurance Regulatory and Development Authority Act, 1999, the last date as at which the first investigation after such commencement should be caused by an actuary, shall be the 31st day of March, 2001:";

(*iv*) after the third proviso, insert the following:—

"Provided also that every insurer, on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall cause an abstract of the report of the actuary to be made in the manner specified by the regulations made by the Authority.";

(*b*) in sub-section (*4*), after the proviso, insert the following:—

"Provided further that the statement referred to in sub-section (*4*) shall be appended in the form and in the manner specified by the regulations made by the Authority.".

15. After section 27B, insert the following:—

"**27C. Prohibition for investment of funds outside India.**—No insurer shall directly or indirectly invest outside India the funds of the policy-holders.

27D. Manner and conditions of investment.—(*1*) Without prejudice to anything contained in sections 27, 27A and 27B, the Authority may, in the interests of the policy-holders, specify by the regulations made by it, the time, manner and other conditions of investment of assets to be held by an insurer for the purposes of this Act.

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(*2*) The Authority may give specific directions for the time, manner and other conditions subject to which the funds of policy-holders shall be invested in the infrastructure and social sector as may be specified by regulations made by the Authority and such regulations shall apply uniformly to all the insurers carrying on the business of life insurance, general insurance, or re-insurance in India on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999.

(*3*) The Authority may, after taking into account the nature of business and to protect the interests of the policy-holders, issue to an insurer the directions relating to the time, manner and other conditions of investment of assets to be held by him:

Provided that no direction under this sub-section shall be issued unless the insurer concerned has been given a reasonable opportunity of being heard.".

16. Section 28A, in sub-section (*1*), for "31st day of December", substitute "31st day of March".

17. Section 28B, in sub-section (*1*), for "31st day of December", substitute "31st day of March".

18. Section 31B,—

(*a*) in sub-section (*1*), for "Central Government" at both the places where they occur, substitute "Authority";

(*b*) in sub-section (*2*), for "a statement in the prescribed form", substitute "a statement, in the form specified by the regulations made by the Authority,";

(*c*) after sub-section (*3*), insert the following:—

"(*4*) Every direction under this section shall be issued by an order made by the Authority:

Provided that no order under this section shall be made unless the person concerned has been given an opportunity of being heard.".

19. After section 32A, insert the following:—

"**32B. Insurance business in rural or social sector.**—Every insurer shall, after the commencement of the Insurance Regulatory and Development Authority Act, 1999, undertake such percentages of life insurance business and general insurance business in the rural or social sector, as may be specified, in the Official Gazette by the Authority, in this behalf.

32C. Obligations of insurer in respect of rural or unorganised sector and backward classes.—Every insurer shall, after the commencement of the Insurance Regulatory and Development Authority Act, 1999, discharge the obligations specified under section 32B to provide life insurance or general insurance policies to the persons residing in the rural sector, workers in the unorganised or informal sector or for economically vulnerable or backward classes of the society and other categories of persons as may be specified by regulations made by the Authority and such insurance policies shall include insurance for crops.".

20. For section 33, substitute the following:—

'INVESTIGATION

33. Power of investigation and inspection by Authority.—(*1*) The Authority may, at any time, by order in writing, direct any person (hereafter in this section referred to as "Investigating Authority") specified in the order to investigate the affairs of any insurer and to report to the Authority on any investigation made by such Investigating Authority:

Provided that the Investigating Authority may, wherever necessary, employ any auditor or actuary or both for the purpose of assisting him in any investigation under this section.

(*2*) Notwithstanding anything to the contrary contained in section 235 of the Companies Act, 1956 (1 of 1956), the Investigating Authority may, at any time, and shall, on being directed so to do by the Authority, cause an inspection to be made by one or more of his officers of any insurer and his books of account; and the Investigating Authority shall supply to the insurer a copy of his report on such inspection.

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(*3*) It shall be the duty of every manager, managing director or other officer of the insurer to produce before the Investigating Authority directed to make the investigation under sub-section (*1*), or inspection under sub-section (*2*), all such books of account, registers and other documents in his custody or power and to furnish him with any statement and information relating to the affairs of the insurer as the said Investigating Authority may require of him within such time as the said Investigating Authority may specify.

(*4*) Any Investigating Authority, directed to make an investigation under sub-section (*1*), or inspection under sub-section (*2*), may examine on oath, any manager, managing director or other officer of the insurer in relation to his business and may administer oaths accordingly.

(*5*) The Investigating Authority shall, if he has been directed by the Authority to cause an inspection to be made, and may, in any other case, report to the Authority on any inspection made under this section.

(*6*) On receipt of any report under sub-section (*1*) or sub-section (*5*), the Authority may, after giving such opportunity to the insurer to make a representation in connection with the report as, in the opinion of the Authority, seems reasonable, by order in writing,—

(*a*) require the insurer, to take such action in respect of any matter arising out of the report as the Authority may think fit; or

(*b*) cancel the registration of the insurer; or

(*c*) direct any person to apply to the court for the winding up of the insurer, if a company, whether the registration of the insurer has been cancelled under clause (*b*) or not.

(*7*) The Authority may, after giving reasonable notice to the insurer, publish the report submitted by the Investigating Authority under sub-section (*5*) or such portion thereof as may appear to it to be necessary.

(*8*) The Authority may by the regulations made by it specify the minimum information to be maintained by insurers in their books, the manner in which such information shall be maintained, the checks and other verifications to be adopted by insurers in that connection and all other matters incidental thereto as are, in its opinion, necessary to enable the Investigating Authority to discharge satisfactorily his functions under this section.

Explanation.—For the purposes of this section, the expression "insurer" shall include in the case of an insurer incorporated in India—

(*a*) all its subsidiaries formed for the purpose of carrying on the business of insurance exclusively outside India; and

(*b*) all its branches whether situated in India or outside India.

(*9*) No order made under this section other than an order made under clause (*b*) of sub-section (*6*) shall be capable of being called in question in any court.

(*10*) All expenses of, and incidental to, any investigation made under this section shall be defrayed by the insurer, shall have priority over that debts due from the insurer and shall be recoverable as an arrear of land revenue.'.

21. Section 33A, omit "Central Government or the".

22. Section 34H,—

(*a*) in sub-section (*1*),—

(*i*) for "Controller", substitute "Chairperson of the Authority";

(*ii*) for "an Assistant Controller of Insurance", substitute "an officer authorised by the Authority";

(*b*) in sub-sections (*5*) and (*7*), for "Controller" wherever it occurs, substitute "Chairperson of the Authority".

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23. Section 35,—

(*a*) in sub-section (*1*), for "sanctioned by the Controller", substitute "approved by the Authority";

(*b*) in sub-section (*3*),—

(*i*) in the first paragraph, for "to sanction any such scheme", substitute "to approve any such scheme";

(*ii*) in the second paragraph, for "the amalgamation or transfer if sanctioned", substitute "the amalgamation or transfer if approved".

24. Section 36,—

(*a*) in sub-section (*1*), for "may sanction the arrangement", substitute "may approve the arrangement";

(*b*) in sub-section (*2*),—

(*i*) for "the insurers concerned in the amalgamation, the Controller may sanction", substitute "the insurers concerned in the amalgamation, the Authority may approve";

(*ii*) for "contracts as sanctioned by the Controller", substitute "contracts as approved by the Authority".

25. Section 37, in clause (*c*), for "scheme sanctioned", substitute "scheme approved".

26. In section 40A, in sub-section (*3*), for the portion beginning with the words "an amount exceeding" and ending with the words "ten per cent. of the premium payable on the policy", substitute "an amount not exceeding fifteen per cent. of the premium payable on the policy where the policy relates to fire or marine insurance or miscellaneous insurance.".

27. Section 42,—

(*a*) for sub-section (*1*), substitute the following:—

"(*1*) The Authority or an officer authorised by it in this behalf shall, in the manner determined by the regulations made by it and on payment of the fee determined by the regulations, which shall not be more than two hundred and fifty rupees, issue to any person making an application in the manner determined by the regulations, a licence to act as an insurance agent for the purpose of soliciting or procuring insurance business:

Provided that,—

(*i*) in the case of an individual, he does not suffer from any of the disqualifications mentioned in sub-section (*4*); and

(*ii*) in the case of a company or firm, any of its directors or partners does not suffer from any of the said disqualifications:

Provided further that any licence issued immediately before the commencement of the Insurance Regulatory and Development Authority Act, 1999 shall be deemed to have been issued in accordance with the regulations which provide for such licence.";

(*b*) for sub-section (*3*), substitute the following:—

"(*3*) A licence issued under this section, after the date of the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall remain in force for a period of three years only from the date of issue, but shall, if the applicant, being an individual does not, or being a company or firm any of its directors or partners does not, suffer from any of the disqualifications mentioned in clauses (*b*), (*c*), (*d*), (*e*) and (*f*) of sub-section (*4*) and the application for renewal of licence reaches the issuing authority at least thirty days before the date on the licence ceases to remain in force, be renewed for a period of three years at any one time on payment of the fee determined by the regulations made by the Authority which shall not be more than rupees two hundred and fifty, and additional fee of an amount determined by the

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regulations not exceeding rupees one hundred by way of penalty, if the application for renewal of the licence does not reach the issuing authority at least thirty days before the date on which the licence ceases to remain in force.";

(*c*) in sub-section (*3A*), for the proviso, substitute the following:—

"Provided that the Authority may, if satisfied that undue hardship would be caused otherwise, accept any application in contravention of this sub-section on payment by the applicant of a penalty of seven hundred and fifty rupees.";

(*d*) in sub-section (*4*), after clause (*d*), insert the following:—

"(*e*) that he does not possess the requisite qualifications and practical training for a period not exceeding twelve months, as may be specified by the regulations made by the Authority in this behalf;

(*f*) that he has not passed such examination as may be specified by the regulations made by the Authority in this behalf:

Provided that a person who had been issued a licence under sub-section (*1*) of this section or sub-section (*1*) of section 64UM shall not be required to possess the requisite qualifications, practical training and pass such examination as required by clauses (*e*) and (*f*);

(*g*) that he violates the code of conduct as may be specified by the regulations made by the Authority.";

(*e*) for sub-section (*6*), substitute the following:—

"(*6*) The Authority may issue a duplicate licence to replace a licence lost, destroyed or mutilated, on payment of such fee not exceeding fifty rupees as may be determined by the regulations.";

(*f*) in sub-section (*7*),—

(*i*) for "fifty rupees", substitute "five hundred rupees";

(*ii*) for "one hundred rupees", substitute "one thousand rupees";

(*g*) in sub-section (*8*), for "fifty rupees", substitute "five thousand rupees".

28. Section 42A, in sub-section (*1*),—

(*a*) for "Controller or an officer authorised by him", substitute "Authority or an officer authorised by it";

(*b*) for "an application to him", substitute "an application to it".

29. After section 42C, insert the following:—

"42D. *Issue of licence to intermediary or insurance intermediary*.—(*1*) The Authority or an officer authorised by it in this behalf shall, in the manner determined by the regulations made by the Authority and on payment of the fees determined by the regulations made by the Authority, issue to any person making an application in the manner determined by the regulations, and not suffering from any of the disqualifications herein mentioned, a licence to act as an intermediary or an insurance intermediary under this Act:

Provided that,—

(*a*) in the case of an individual, he does not suffer from any of the disqualifications mentioned in sub-section (*4*) of section 42, or

(*b*) in the case of a company or firm, any of its directors or partners does not suffer from any of the said disqualifications.

(*2*) A licence issued under this section shall entitle the holder thereof to act as an intermediary or insurance intermediary.

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(*3*) A licence issued under this section shall remain in force for a period of three years only from the date of issue, but shall, if the applicant, being an individual does not, or being a company or firm any of its directors or partners does not suffer from any of the disqualifications mentioned in clauses (*b*), (*c*), (*d*), (*e*) and (*f*) of sub-section (*4*) of section 42 and the application for renewal of licence reaches the issuing authority at least thirty days before the date on which the licence ceases to remain in force, be renewed for a period of three years at any one time on payment of the fee, determined by the regulations made by the Authority and additional fee for an amount determined by the regulations, not exceeding one hundred rupees by way of penalty, if the application for renewal of the licence does not reach the issuing authority at least thirty days before the date on which the licence ceases to remain in force.

(*4*) No application for the renewal of a licence under this section shall be entertained if the application does not reach the issuing authority before the licence ceases to remain in force:

Provided that the Authority may, if satisfied that undue hardship would be caused otherwise, accept any application in contravention of this sub-section on payment by the applicant of a penalty of seven hundred and fifty rupees.

(*5*) The disqualifications above referred to shall be the following:—

(*a*) that the person is a minor;

(*b*) that he is found to be of unsound mind by a court of competent jurisdiction;

(*c*) that he has been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or an abetment of or attempt to commit any such offence by a court of competent jurisdiction:

Provided that, where at least five years have elapsed since the completion of the sentence imposed on any person in respect of any such offence, the Authority shall ordinarily declare in respect of such person that his conviction shall cease to operate as a disqualification under this clause;

(*d*) that in the course of any judicial proceeding relating to any policy of insurance of the winding up of an insurance company or in the course of an investigation of the affairs of an insurer it has been found that he has been guilty of or has knowingly participated in or connived at any fraud dishonestly or misrepresentation against an insurer or an insured;

(*e*) that he does not possess the requisite qualifications and practical training for a period not exceeding twelve months, as may be specified by the regulations made by the Authority in this behalf;

(*f*) that he has not passed such examinations as may be specified by the regulations made by the Authority in this behalf;

(*g*) that he violates the code of conduct as may be specified by the regulations made by the Authority.

(*6*) If it be found that an intermediary or an insurance intermediary suffers from any of the foregoing disqualifications, without prejudice to any other penalty to which he may be liable, the Authority shall, and if the intermediary or an insurance intermediary has knowingly contravened any provision of this Act may cancel the licence issued to the intermediary or insurance intermediary under this section.

(*7*) The Authority may issue a duplicate licence to replace a licence lost, destroyed or mutilated, on payment of such fee, as may be determined by the regulations made by the Authority.

(*8*) Any person who acts as an intermediary or an insurance intermediary without holding a licence issued under this section to act as such, shall be punishable with fine, and any insurer or any person who appoints as an intermediary or an insurance intermediary or any person not licensed to act as such or transacts any insurance business in India through any such person, shall be punishable with fine.

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(*9*) Where the person contravening sub-section (*8*) is a company or a firm, then, without prejudice to any other proceedings which may be taken against the company or firm, every director, manager, secretary or other officer of the company, and every partner of the firm who is knowingly a party to such contravention shall be punishable with fine.".

30. Section 64UA, in sub-section (*1*), in sub-clause (*a*), for "Controller of Insurance", substitute "Chairperson of the Authority".

31. Section 64UB,—

(*a*) for sub-section (*1*), substitute the following:—

"(*1*) The Authority may, by notification in the Official Gazette, make regulations to carryout the purposes of this Part.";

(*b*) in sub-section (*2*), for "rules", substitute "regulations";

(*c*) in sub-section (*3*), for "Central Government" at both the places where it occur, substitute "Authority";

(*d*) in sub-section (*5*), for "Controller of Insurance", substitute "Chairperson of the Authority".

32. Section 64UC, in sub-section (*1*), in proviso, for "the Controller may, with the previous approval of the Central Government", substitute "the Authority may".

33. Section 64UD, after sub-section (*1*), insert the following:—

"Provided that the Chairperson of the Authority shall become the Chairman of the Advisory Committee with effect from the commencement of the Insurance Regulatory and Development Authority Act, 1999 and function as such, and any Chairman of the Tariff Committee holding office immediately before such commencement shall cease to be the Chairman.".

34. Section 64UJ, in sub-section (*5*), for "Central Government", wherever it occurs, substitute "Authority".

35. Section 64UM,—

(*a*) in sub-section (*1*),—

(*i*) in paragraph (*B*), after "the Insurance (Amendment) Act, 1968", insert "but before the commencement of the Insurance Regulatory and Development Authority Act, 1999";

(*ii*) after paragraph (*B*), insert the following:—

"(*BA*) Every person who intends to act as a surveyor or loss assessor after the expiry of a period of one year from the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall make an application to the Authority within such time, in such manner and on payment of such fee as may be determined by the regulations made by the Authority:

Provided that any licence issued immediately before the commencement of the Insurance Regulatory and Development Authority Act, 1999 shall be deemed to have been issued in accordance with the regulations providing for such licence.";

(*iii*) in paragraph (*C*), for "as may be prescribed", substitute "as may be determined by the regulations";

(*iv*) in paragraph (*D*), in clause (*i*),—

(*A*) for item (*a*), substitute the following:—

"(*a*) has been in practice as a surveyor or loss assessor on the date of commencement of the Insurance Regulatory and Development Authority Act, 1999, or";

(*B*) in item (*f*), for "prescribed", substitute "specified by the regulations made by the Authority";

(*b*) after sub-section (*1*), insert—

"(*1A*) Every surveyor and loss assessor shall comply with the code of conduct in respect of their duties, responsibilities and other professional requirements as may be specified by the regulations made by the Authority.".

36. Section 64V,—

(*a*) in sub-section (*1*),—

(*i*) in clause (*i*), after sub-clause (*g*), insert the following:—

"(*h*) such other asset or assets as may be specified by the regulations made in this behalf;";

(*ii*) in clause (*ii*),—

(*A*) in sub-clause (*b*), in items (*i*) and (*ii*), for "40 per cent.", substitute "50 per cent.";

(*B*) after sub-clause (*f*), insert the following:—

"(*g*) such other liability which may be made in this behalf to be included for the purpose of clause (*ii*).";

(*b*) for sub-section (*2*), substitute the following:—

"(*2*) Every insurer shall furnish to the Authority with his returns under section 15 or section 16, as the case may be, a statement certified by an auditor approved by the Authority in respect of general insurance business, or an actuary approved by the Authority in respect of life insurance business, as the case may be, of his assets and liabilities assessed in the manner required by this section as on the 31st day of March of the preceding year.

(*3*) Every insurer shall value his assets and liabilities in the manner required by this section and in accordance with the regulations which may be made by the Authority in this behalf.".

37. Section 64VA,—

(*a*) in sub-section (*1*), for "at all times", substitute "at all times before the commencement of the Insurance Regulatory and Development Authority Act, 1999";

(*b*) after sub-section (*1*), insert the following:—

'(*1A*) Every insurer shall, at all times, on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, maintain an excess of the value of his assets over the amount of his liabilities of not less than the amount arrived at as follows (hereinafter referred to in this section referred to as the "required solvency margin"), namely:—

(*i*) in the case of an insurer carrying on life insurance business, the required solvency margin shall be the higher of the following amounts—

(*a*) fifty crores of rupees (one hundred crores of rupees in case of re-insurers); or

(*b*) the aggregate sums of the results arrived at in items (*I*) and (*II*) stated below:—

(*I*) the aggregate of the results arrived at by applying the calculation described in item (*A*) below (Step I) and the calculation described in item (*B*) below (Step II):

(*A*) for Step I—

(A. 1) there shall be taken, a sum equal to a percentage determined by the regulations not exceeding five per cent. of the mathematical reserves for direct business and re-insurance acceptances without any deduction for re-insurance cessions;

(A. 2) the amount of mathematical reserves at the end of the preceding financial year after the deduction of re-insurance cessions shall be expressed as a

percentage of the amount of those mathematical reserves before any such deduction; and

(A. 3) the sum mentioned in item (A. 1) above shall be multiplied—

(A.3.1) where the percentage arrived at under item (A. 2) above is greater than eighty-five per cent. (or in the case of a re-insurer carrying on exclusive re-insurance business, fifty per cent.), by that greater percentage; and

(A.3.2) in any other case, by eighty-five per cent. (or in the case of a re-insurer carrying on exclusive re-insurance business, by fifty per cent.);

(*B*) for Step II—

(B. 1) there shall be taken, a sum equal to a percentage determined by the regulations made by the Authority not exceeding one per cent. of the sum at risk for the policies on which the sum at risk is not a negative figure, and

(B. 2) the amount of sum at risk at the end of the preceding financial year for policies on which the sum at risk is not a negative figure after the deduction of re-insurance cession shall be expressed as a percentage of the amount of that sum at risk before any such deduction, and

(B. 3) the sum arrived at under item (B. 1) above shall be multiplied—

(B.3.1) where the percentage arrived at under item (B. 2) above is greater than fifty per cent., by that greater percentage; and

(B.3.2) in any other case, by fifty per cent.

(*II*) a percentage determined by the regulations made by the Authority of the value of assets determined in accordance with the provisions of section 64V;

(*ii*) in the case of an insurer carrying on general insurance business, the required solvency margin, shall be the highest of the following amounts:—

(*a*) fifty crores of rupees (one hundred crores of rupees in case of re-insurer); or

(*b*) a sum equivalent to twenty per cent. of net premium income; or

(*c*) a sum equivalent to thirty per cent. of net incurred claims,

subject to credit for re-insurance in computing net premiums and net incurred claims being actual but a percentage, determined by the regulations not exceeding fifty per cent.:

Provided that if in respect of any insurer, the Authority is satisfied that either by reason of an unfavourable claim experience or because of sharp increase in the volume of the business, or for any other reason, compliance with the provisions of this sub-section would cause undue hardship to the insurer, the Authority may direct, for such period and subject to such conditions, such solvency margin not being less than the lower of the amount mentioned in sub-clause (*i*) or sub-clause (*ii*) above as the case may be.

Explanation.—For the purposes of this sub-section, the expressions—

(*i*) "mathematical reserves" means the provision made by an insurer to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangement in relation to any policy whereby an amount is deposited by re-insurer with the cedant) arising under or in connection with policies or contracts for life insurance business. Mathematical reserves also include specific provision for adverse deviations of the bases, such as mortality and morbidity rates, interest rates, and expense rates, and any explicit provisions made, in the valuation of liabilities, in accordance with the regulations made by the Authority for this purpose;

(*ii*) "net incurred claims" means the average of the net incurred claims during the specified period of not exceeding three preceding financial years;

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(*iii*) "sum at risk", in relation to a life insurance policy, means a sum which is—

(*a*) in any case in which an amount is payable in consequence of death other than a case falling within sub-clause (*b*) below, the amount payable on death, and

(*b*) in any case in which the benefit under the policy in question consists of the making, in consequence of death, of the payments of annuity, payment of a sum by instalments or any other kind of periodic payments, the present value of that benefit,

less in either case the mathematical reserves in respect of the relevant policies.';

(*c*) after sub-section (*2*), insert the following:—

"(*2A*) If, at any time an insurer does not maintain the required solvency margin in accordance with the provisions of this section, he shall, in accordance with the directions issued by the Authority, submit a financial plan, indicating a plan of action to correct the deficiency to the Authority within a specified period not exceeding three months.

(*2B*) An insurer who has submitted a plan under sub-section (*2A*) to the Authority shall propose modifications to the plan if the Authority considers it inadequate, and shall give effect to any plan accepted by the Authority as adequate.

(*2C*) An insurer who does not comply with the provisions of sub-section (*2A*) shall be deemed to be insolvent and may be wound up by the court.";

(*d*) after sub-section (*6*), insert the following:—

"(*7*) Every insurer shall furnish to the Authority his returns under section 15 or section 16, as the case may be, in case of life insurance business a statement certified by an actuary approved by the Authority, and in case of general insurance business a statement certified by an auditor approved by the Authority, of the required solvency margin maintained by the insurer in the manner required by sub-section (*1A*).".

38. Section 70, in sub-section (*1*), for "the Controller a certificate of registration", substitute "the Authority, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999, a certificate of registration".

39. Section 95, in sub-section (*1*), for "In this Part—", substitute "In this Part, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999,—".

40. Section 101A,—

(*a*) in sub-section (*1*), for "the Central Government", substitute "the Authority, with the previous approval of the Central Government,";

(*b*) in sub-section (*2*), for "the Central Government", substitute "the Authority".

41. Section 101B,—

(*a*) in sub-section (*1*), for "the Central Government", substitute "the Authority with the previous approval of the Central Government.";

(*b*) in sub-section (*2*), for "prescribed", substitute "determined by the regulations made by the Authority".

42. For sections 102 to 105, substitute the following:—

"**102. Penalty for default in complying with, or act in contravention of, this Act.**—If any person, who is required under this Act, or rules or regulations made thereunder,—

(*a*) to furnish any document, statement, account, return or report to the Authority, fails to furnish the same; or

(*b*) to comply with the directions, fails to comply with such directions;

(*c*) to maintain solvency margin, fails to maintain such solvency margin;

(*d*) to comply with the directions on the insurance treaties, fails to comply with such directions on the insurance treaties,

he shall be liable to a penalty not exceeding five lakh rupees for each such failure and punishable with fine.

103. Penalty for carrying on insurance business in contravention of sections 3, 7 and 98.—If a person makes a statement, or furnishes any document, statement, account, return or report which is false and which he either knows or believes to be false or does not believe to be true,—

(*a*) he shall be liable to a penalty not exceeding five lakh rupees for each such failure; and

(*b*) he shall be punishable with imprisonment which may extend to three years or with fine for each such failure.

104. Penalty for false statement in document.—If a person fails to comply with the provisions of section 27 or section 27A or section 27B or section 27C or section 27D, he shall be liable to a penalty not exceeding five lakh rupees for each such failure.

105. Wrongfully obtaining or withholding property.—If any director, managing director, manager or other officer or employees of an insurer wrongfully obtains possession of any property or wrongfully applies to any purpose of the Act, he shall be liable to a penalty not exceeding two lakh rupees for each such failure.

105A. Offences by companies.—(*1*) Where any offence under this Act has been committed by a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company as well as the company shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(*2*) Notwithstanding anything contained in sub-section (*1*), where any offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(*a*) "company" means any body corporate, and includes—

(*i*) a firm; and

(*ii*) an association of persons or a body of individuals whether incorporated or not; and

(*b*) "director", in relation to—

(*i*) a firm, means a partner in the firm;

(*ii*) an association of persons or a body of individuals, means any member controlling the affairs thereof.

105B. Penalty for failure to comply with section 32B.—If an insurer fails to comply with the provisions of section 32B, he shall be liable to a penalty not exceeding five lakh rupees for each such failure and shall be punishable with imprisonment which may extend to three years or with fine for each such failure.

105C. Penalty for failure to comply with section 32C.—If an insurer fails to comply with the provisions of section 32C, he shall be liable to a penalty not exceeding twenty-five lakh rupees for

each such failure and in the case of subsequent and continuing failure, the registration granted to such insurer under section 3 shall be cancelled by the Authority.".

43. In sections 110A, 110B and 110C, for "Controller" wherever it occurs, substitute "Chairperson of the Authority".

44. Section 110G, for "Controller" at both the places where it occurs, substitute "Chairperson of the Authority".

45. Section 110H, in sub-section (*1*), for "under sections", substitute "under sections 27D,".

46. Section 114, in sub-section (*2*),—

(*a*) after clause (*a*), insert the following:—

"(*aa*) such other percentage of paid-up equity capital in excess of twenty-six per cent. of the paid-up equity capital and the period within which such excess paid-up equity capital shall be divested under sub-section (*1*) of section 6AA.";

(*b*) omit clauses (*g*) and (*ll*).

47. After section 114, insert the following:—

"**114A. Power of Authority to make regulations.**—(*1*) The Authority may, by notification in the Official Gazette, make regulations consistent with this Act and the rules made thereunder, to carry out the purposes of this Act.

(*2*) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:—

(*a*) the matters including fee relating to the registration of insurers under section 3;

(*b*) the manner of suspension or cancellation of registration under sub-section (*5E*) of section 3;

(*c*) such fee, not exceeding five thousand rupees, as may be determined by the regulations for issue of a duplicate certificate of registration under sub-section (*7*) of section 3;

(*d*) the matters relating to the renewal of registration and fee therefor under section 3A;

(*e*) the manner and procedure for divesting excess share capital under sub-section (*2*) of section 6AA;

(*f*) the preparation of balance-sheet, profit and loss account and a separate account of receipts and payments and revenue account under sub-section (*1A*) of section 11;

(*g*) the manner in which an abstract of the report of the actuary to be specified under the fourth proviso to sub-section (*1*) of section 13;

(*h*) the form and manner in which the statement referred to in sub-section (*4*) of section 13 shall be appended;

(*i*) the time, manner and other conditions of investment of assets held by an insurer under sub-sections (*1*), (*2*) and (*3*) of section 27D;

(*j*) the minimum information to be maintained by insurer in their books, the manner in which such information should be maintained, the checks and other verifications to be adopted by insurers in that connection and all other matters incidental thereto under sub-section (*8*) of section 33;

(*k*) the manner for making an application, the manner and the fee for issue of a licence to act as an insurance agent under sub-section (*1*) of section 42;

(*l*) the fee and the additional fee to be determined for renewal of licence of insurance agent under sub-section (*3*) of section 42;

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(*m*) the requisite qualifications and practical training to act as an insurance agent under clause (*e*) of sub-section (*4*) of section 42;

(*n*) the passing of examination to act as an insurance agent under clause (*f*) of sub-section (*4*) of section 42;

(*o*) the code of conduct under clause (*g*) of sub-section (*4*) of section 42;

(*p*) the fee not exceeding rupees fifty for issue of duplicate licence under sub-section (*6*) of section 42;

(*q*) the manner and the fees for issue of a licence to an intermediary or an insurance intermediary under sub-section (*1*) of section 42D;

(*r*) the fee and the additional fee to be determined for renewal of licence of intermediaries or insurance intermediaries under sub-section (*3*) of section 42D;

(*s*) the requisite qualifications and practical training of intermediaries or insurance intermediaries under clause (*e*) of sub-section (*5*) of section 42D;

(*t*) the examination to be passed to act as an intermediary or insurance intermediary under clause (*f*) of sub-section (*5*) of section 42D;

(*u*) the code of conduct under clause (*g*) of sub-section (*5*) of section 42D;

(*v*) the fee for issue of duplicate licence under sub-section (*7*) of section 42D;

(*w*) such matters as specified under sub-section (*2*) of section 64UB relating to the Tariff Advisory Committee;

(*x*) the matters relating to licensing of surveyors and loss assessors, their duties, responsibilities and other professional requirements under section 64UM;

(*y*) such other asset or assets as may be specified under clause (*h*) of sub-section (*1*) of section 64V for the purposes of ascertaining sufficiency of assets under section 64VA;

(*z*) the valuation of assets and liabilities under sub-section (*3*) of section 64V;

(*za*) the matters specified under sub-section (*1A*) of section 64VA relating to sufficiency of assets;

(*zb*) the matters relating to re-insurance under sections 101A and 101B;

(*zc*) the matters relating to redressal of grievances of policy-holders to protect their interest and to regulate, promote and ensure orderly growth of insurance industry; and

(*zd*) any other matter which is to be, or may be, specified by the regulations made by the Authority or in respect of which provision is to be made or may be made by the regulations.

(*3*) Every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.".

48. Section 116A, for "Central Government", at both places where they occur, substitute "Central Government, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999,".

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THE SECOND SCHEDULE

(*See* section 31)

AMENDMENTS TO THE LIFE INSURANCE CORPORATION ACT, 1956

(31 OF 1956)

1. In the Act, for "Controller" wherever it occurs, substitute "Authority".

2. After section 30, insert the following:—

"**30A. Exclusive privilege of Corporation to cease.**—Notwithstanding anything contained in this Act, the exclusive privilege of carrying on life insurance business in India by the Corporation shall cease on and from the commencement of the Insurance Regulatory and Development Authority Act, 1999 and the Corporation shall, thereafter, carry on life insurance business in India in accordance with the provisions of the Insurance Act, 1938 (4 of 1938).".

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THE THIRD SCHEDULE

(*See* section 32)

AMENDMENT TO THE GENERAL INSURANCE BUSINESS (NATIONALISATION) ACT, 1972

(57 OF 1972)

After section 24, insert the following:—

"**24A. Exclusive privilege of Corporation and acquiring companies to cease.—** Notwithstanding anything contained in this Act, the exclusive privilege of the Corporation and the acquiring companies of carrying on general insurance business in India shall cease on and from the commencement of the Insurance Regulatory and Development Authority Act, 1999 and the Corporation and the acquiring companies shall, thereafter, carry on general insurance business in India in accordance with the provisions of the Insurance Act, 1938 (4 of 1938)."

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STATEMENT OF OBJECTS AND REASONS

The insurance industry requires a high degree of regulation. The Insurance Act, 1938 provides for the institution of the Controller of Insurance to act as a strong and powerful supervisory and regulatory authority with powers to direct, advise, caution, prohibit, investigate, inspect, prosecute, search, seize, fine, amalgamate, authorise, register and liquidate insurance companies. However, after the nationalisation of the life insurance industry in 1956 and the general insurance industry in 1972, the role of the Controller of Insurance diminished in significance over a period of time.

2. In April, 1993, the Government set up a high-powered committee headed by Shri R.N. Malhotra, former Governor, Reserve Bank of India, to examine the structure of the insurance industry and recommend changes to make it more efficient and competitive keeping in view the structural changes in other parts of the financial system of the economy. The committee which submitted its report on the 7th January, 1994 felt that the insurance regulatory apparatus should be activated even in the present set up of nationalised insurance sector and recommended, *inter alia*, the establishment of a strong and effective Insurance Regulatory Authority in the form of a statutory autonomous board on the lines of the Securities and Exchange Board of India.

3. The recommendations of the Committee were discussed at different forums including the Consultative Committee of the Parliament attached to the Ministry of Finance, managements of the Life Insurance Corporation, the General Insurance Corporation and its subsidiary companies, trade unions, chambers of commerce and consumer interest groups. The recommendation to set up an autonomous Insurance Regulatory Authority found wide support. In view of the general support received, the then Government decided to bring in a legislation to establish an independent Regulatory Authority for the insurance industry. Since enacting legislation for creating the Insurance Regulatory Authority was to take time, the then Government constituted through a Government resolution an Interim Insurance Regulatory Authority pending the enactment of a comprehensive legislation. The Chairman, Insurance Regulatory Authority has been notified as Controller of Insurance under the Insurance Act, 1938. The said Interim Insurance Regulatory Authority at present is discharging certain functions and exercising powers of the Controller.

4. In pursuance of the Budget Speech in July, 1996, the then Government introduced on the 20th December, 1996, the Insurance Regulatory Authority Bill, 1996 for establishment of an Authority to protect the interest of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry and for matter connected therewith or incidental thereto. The Bill was referred to the Department related Standing Committee on the Ministry of Finance. The Committee submitted its report on 9th May, 1997. However, the said Bill incorporating therein the recommendations of the said Standing Committee was taken for consideration but could not be passed and the Bill was withdrawn by the then Government.

5. In order to provide better insurance coverage to our citizens and also to augment the flow of long-term resources for financing infrastructure, in the Budget Speech, 1998, the policy of the Government was announced to open up the insurance sector and also to establish a Statutory Regulatory Authority. Accordingly, the Insurance Regulatory Authority Bill, 1998 was introduced in the previous Lok Sabha on the 15th December, 1998 providing for setting a Statutory Insurance Regulatory Authority and containing three Schedules incorporating amendments to the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972 to permit the entry of private Indian companies into the insurance sector and to make certain consequential amendments to the Insurance Act, 1938. The Bill was referred to the Standing Committee on Finance on the 4th January, 1999 for examination and report. The Standing Committee while recommending the Bill suggested some amendments. These were accepted by the Government and amendments to the Bill were circulated on the 18th March, 1999. However, the Bill could not be taken up for consideration consequent on the dissolution of the Lok Sabha.

6. It is now proposed to re-introduce a fresh Bill by incorporating the provisions of the Insurance Regulatory Authority Bill, 1998 and the amendments suggested by the Standing committee on Finance. The Bill will be titled Insurance Regulatory and Development Authority Bill on the basis of the recommendation of the Standing Committee. In the main text of the Bill, provisions are

incorporated to give a Statutory character to the Interim Insurance Regulatory Authority and the Three Schedules contain amendments to the Insurance Act, 1938, amendment to the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisations) Act, 1972.

7. The proposed Authority shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract. It will consist of a Chairperson and other members not exceeding nine in number, of whom not more than five shall serve full time, to be appointed by the Central Government from amongst persons of ability, integrity and standing who have knowledge or experience of life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which in the opinion of the Central Government shall be useful to the Authority. The Chairperson and other whole-time members, shall hold office for a term of 5 years or until the age of 65 years in the case of Chairperson and 62 years in the case of other whole-time members whichever is earlier and they shall be eligible for reappointment subject to age consideration. A part-time member shall hold office for a term not exceeding 5 years.

8. The duties, powers and functions of Authority, *inter alia*, shall include:—

(*a*) issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

(*b*) protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy, and other terms and conditions of contracts of insurance;

(*c*) specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

(*d*) specifying the code of conduct for surveyors and loss assessors;

(*e*) promoting efficiency in the conduct of insurance business;

(*f*) promoting and regulating professional organisations connected with the insurance and reinsurance business;

(*g*) levying fees and other charges for carrying out the purposes of this Act;

(*h*) calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

(*i*) control and regulation of the 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;

(*j*) specifying the form and manner in which books of account shall be maintained and statement of accounts will be rendered by insurers and other insurance intermediaries;

(*k*) regulating investment of funds by insurance companies;

(*l*) regulating maintenance of margin of solvency;

(*m*) adjudication of disputes between insurers and intermediaries or insurance intermediaries;

(*n*) supervising the functioning of the Tariff Advisory Committee;

(*o*) specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (*f*);

(*p*) specifying percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

(*q*) exercising such other powers as may be prescribed.

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9. The powers and functions mentioned above would enable the Authority to perform the role of an effective watchdog and regulator for the insurance sector in India. To enable the Authority to function in a truly independent manner and discharge its assigned responsibilities effectively, it is proposed to vest the Authority with statutory status.

10. The First Schedule contains consequential provisions relating to amendments to the Insurance Act, 1938 to update certain outdated provisions and for smooth and efficient regulation of the opened up sector. The Second and Third Schedules contain amendment to the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972 respectively to remove the exclusive privilege of the nationalised companies to transact insurance business.

11. The Bill seeks to achieve the above objects.

YASHWANT SINHA.

NEW DELHI;
The 2l*st October*, 1999.

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