

# Insurance Regulatory and Development Authority of India [IRDA] - UPSC Notes

The Insurance Regulatory and Development Authority of India or the IRDAI (also referred to as IRDA) is a government body responsible for regulating and developing the insurance industry in India. Government Departments and Ministries are essential for the [IAS Exam](#).

For UPSC Aspirants, it is important to know which ministry deals with what issues and concerns as this can be asked in the [UPSC Prelims](#) exam. It is also important to know these minor details because it helps understand how the government machinery works in India.

Aspirants would find this article very helpful while preparing for the [UPSC 2023](#).

## IRDAI Latest News

The Insurance Regulatory and Development Authority (IRDAI) removed the individual cap on commission paid to intermediaries by life insurance companies and stipulated expenses on the management structure (EOM) that insurers have to implement.

### Aim of the New Rules:

- The new rules are effective from the current financial year (2023-24).
- As per new rules, there is a cap on expenses by insurers and will have a single budget including commissions and operating expenses.
- The new EOM rules aim to benefit policyholders through better pricing as insurers are expected to cut expenses and pass benefits to customers.
- However, experts are cautioning that this could lead to the mis-selling of policies as insurers will revise annual targets for agents upwards.

## Insurance Regulatory and Development Authority of India or the IRDAI

Insurance Regulatory and Development Authority of India (IRDAI) is an apex regulatory body involved in regulating and developing the insurance and reinsurance industry in India. It was constituted as a statutory body as per the provisions of Insurance Regulatory and Development Authority Act 1999. The body was created on the recommendations of the Malhotra Committee Report. All the companies wanting to run the insurance business in India are to be registered with the IRDAI.

### Organisational Set-up:

The authority is a ten member body consisting of

- A chairman
- Five whole time members
- Four part time members

All the members to the Insurance Regulatory and Development Authority of India are appointed by the Government of India.

The IRDAI is headquartered in Hyderabad in Telangana. Prior to 2001, it was headquartered in New Delhi.

### IRDA Functions

The functions of the IRDA are listed below:

- IRDAI is responsible for the registration, renewal, modification, withdrawal, suspension or cancellation of such registration for applicants wanting to start an insurance business in India.
- Protection of the interests of the policyholders.
- 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.
- Regulating and maintaining a margin of solvency.
- Specifying qualifications, the code of conduct and training for intermediaries and agents
- Specifying the code of conduct for surveyors and loss assessors
- Adjudication of disputes between insurers and intermediaries or insurance intermediaries
- Supervising the functioning of the Tariff Advisory Committee
- Calling for information from, undertaking an inspection of, conducting inquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business
- Promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums

### IRDA Mission

To protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

### **Insurance penetration in India:**

- The penetration rate is helpful in understanding the growth of the insurance sector in India. Penetration rate can be defined as the ratio of premiums underwritten in a particular year to GDP.
- Economic survey 2022-23 noted the growth of the insurance sector in India but it is not growing at a faster rate since most policyholders select savings-based products.
- The economic survey also noted that the **penetration rate was 4.2% in 2021 when compared to 2.7% in 2000.**
- Insurance penetration is marked by two parameters; insurance penetration, which measures the ratio of total insurance premiums to Gross Domestic Product (GDP) and insurance density which is the ratio of insurance premium to population.

### **UPSC Questions related to IRDAI**

#### **Q. Who regulates insurance services in India?**

IRDA, that is, the Insurance Regulatory and Development Authority of India regulates insurance services in India.

#### **Q. What is IRDA and its functions?**

The Insurance Regulatory and Development Authority of India or the IRDAI is the apex body responsible for regulating and developing the insurance industry in India. Some of its functions can be listed as follows:

- Issuing & regulating the registration certificates to insurance companies
- Protecting the interest of policyholders
- Providing licences to insurance intermediaries and setting the necessary code/norms of conduct for them.

#### **Q. Who is the current chairman of IRDA?**

Mr Debasish Panda is the current chairman of IRDAI.