CHAPTER-III
REGULATION OF INSURANCE BUSINESS IN INDIA

The life insurance business in India was done by the Life Insurance Corporation of India as a statutory corporation and as a monopoly in life insurance business till 1991. After the new economic policy the life insurance business in India was liberalized so much so that even foreign companies can do life insurance business in India but subject to Government governance. As a result the LIC of India has become one of the companies doing life insurance business in India. An attempt has been made in this chapter to summarize to a possible extent the regulation of insurance business by the Government of India. The regulation of insurance business in India is being summarized under the following heads.

3.1 Insurance Sector Reforms
3.2 Insurance Regulatory and Development Authority Act, 1999
3.3 Insurance Regulatory and Development Authority
3.4 The Insurance Act 1938 as amended in 2002
3.5 The competition Act
3.6 Valuation of Life policies

3.1 INSURANCE SECTOR REFORMS

In 1993, Malhotra Committee, headed by former Finance Secretary and RBI Governor R.N. Malhotra was formed to evaluate the Indian insurance industry and recommend its future direction. The Malhotra committee was set up with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at creating a
more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing that insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms. In 1994, the committee submitted its report and some of the key recommendations are as follows

I) STRUCTURE

Government stake in the insurance companies to be brought down to 50 percentage. Government should take over the holdings of General Insurance Corporation (GIC) and its subsidiaries so that these subsidiaries can act as independent corporations. All the insurance companies should be given greater freedom to operate.

II) COMPETITION

Private companies with a minimum paid up capital of Rs. 100 crores should be allowed to enter the sector. No company should deal in both life and general insurance through a single entity. Foreign companies may be allowed to enter the industry to enter the industry in collaboration with the domestic companies. Postal life insurance should be allowed to operate in the rural market. Only one state level life insurance company should be allowed to operate in each state.

III) REGULATORY BODY

The insurance act should be changed. An insurance regulatory body should be set up. Controller of insurance – a part of the finance ministry – should be made independent.
IV) INVESTMENTS

Mandatory Investments of LIC life fund in government securities to be reduced from 75 percentage to 50 percentage. General Insurance Corporation (GIC) and its subsidiaries are not to hold more than 5 percentage in any company (their current holdings to be brought down to this level over a period of time).

V) CUSTOMER SERVICE

LIC should pay interest on delays in payments beyond 30 days. Insurance companies must be encouraged to set up unit linked pension plans. Computerization of operations and updating of technology to be carried out in the insurance industry.

The committee emphasized that in order to improve the customer services and increase the coverage of insurance policies, industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of a new player could ruin the public confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs. 100 crores.

The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. For this purpose, it had proposed setting up an independent regulatory body. The Insurance Regulatory and Development Authority.
Reforms in the Insurance sector were initiated with the passage of the IRDA Bill in Parliament in December 1999. The IRDA since its incorporation as a statutory body in April 2000 has fastidiously stuck to its schedule of framing regulations and registering the private sector insurance companies. Since being set up as an independent statutory body the IRDA has put in a framework of globally compatible regulations. The other decision taken simultaneously to provide the supporting systems to the insurance sector and in particular the life insurance companies was the launch of the IRDA online service for issue and renewal of licenses to agents. The approval of institutions for imparting training to agents has also ensured that the insurance companies would have a trained workforce of insurance agents in place to sell their products.

3.2 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA) ACT 1999

To provide for the establishment of an authority to protect an interest of holders insurance policies, to regulate, promote and ensure orderly growth of insurance industry and for matters corrected therewith the IRDA Act 1999 was passed. The Act was intended to create an authority called the insurance regulatory and development authority. The authority considered of a body of individuals appointed by the central Government from person ability, integrity and stability we have knowledge or experience in life insurance, general insurance, Actuation science, finance, economy, law, agricultural any other discipline which option of central government useful could the authority.
THE IRDA HAS FOLLOWING DUTIES AND POWERS AND FUNCTIONS

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 not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938)

(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
(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 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.

The government of India has wide powers to issue directions to the IRDA authority as follows.

POWERS OF CENTRAL GOVERNMENT TO ISSUE DIRECTIONS TO IRDA

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.
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, 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 to any action to be laid before each House of Parliament at the earliest.
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.

CHAIRPERSON, MEMBERS, OFFICERS AND OTHER EMPLOYEES OF AUTHORITY TO BE PUBLIC SERVANTS

The Chairperson, members, officers and other employees of 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).
3.3 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

REGULATION OF INSURANCE BUSINESS IN INDIA

The Insurance Regulator Authority (IRA) was set up in 1996 by the government to regulate insurance business in India. However, it is renamed as “Insurance Regulatory and Development Authority – IRDA” under the IRDA Act 1999 passed by parliament to regulate total Insurance business in the country.

As per section 4 of the IRDA Act IRDA’s composition is as under:

(i) A Chairman
(ii) Five whole – time members
(iii) Four part – time members

All the above officials are to be appointed by the Government of India.

IRDA REGULATIONS 2002

IRDA has issued, through a notification in the gazette of India, regulations which govern the preparation of financial statements and Auditors report of Insurance Companies.

(1) An insurer carrying on Life Insurance business shall comply with the requirement of schedule “A”.

(2) An insurer carrying on General Insurance business shall comply with the requirements of ‘schedule B’

(3) The report of the Auditors of the financial statements of every, insurer and reinsurer shall be in conformity with the requirements of ‘Schedule C’
INSURANCE REGULATORY AND DEVELOPMENT
AUTHORITY

Insurance is a federal subject in India. The primary legislations which deal with various aspects relating to accounts and audits of insurance business are as under :-

(a) The Insurance Act 1938 ; Insurance (Amendment) Act 2000 ;
(b) Insurance Rules 1939
(c) The companies Act 1956
(d) The general insurance business (Nationalization) Act, 1972
(e) The Insurance Regulatory and Development Authority Act, 1999

The Insurance Act 1938 controls the working and the activities of companies carrying on Insurance business. In 1956 Life Insurance business was nationalized and the Life Insurance Corporation Act of 1956 brought into existence the Life Insurance Corporation (LIC) which enjoyed ‘monopoly’ over Life Insurance business in India till the year 2000.

In 1963 Marine Insurance Act was passed to regulate Marine Insurance business. General Insurance business was also nationalized on 13th May 1971. The General Insurance Corporation was set up which, along with its subsidiaries controlled general insurance business in India.

The Insurance Regulatory and Development Authority Act was passed by parliament in 1999 to regulate the total Insurance business in India. The Insurance Act 1938 was also amended by the enactment of Insurance (Amendment) Act 2000.
As a result of continued liberalization policies of the Central Government, the Insurance business has also been opened to the Private Sector.

### 3.4 INSURANCE ACT 1938 AS AMENDED IN 2002

The Insurance Act, 1938 as amended in 2002 has 120 sections divided into two parts. Part-I deals with defining the terms used in the Act. According to this Act IRDA is the authority for regulating insurance business in India. Part – II is further divided into Part-IIA, Part-IIIB and Part-IIIC. Insurance business can be done by a public company, a society under the Co-operative Societies Act and body corporate incorporated under the law of any country outside India not being the nature of the private company (Sec 2C). A certificate of Registration for a particular of business shall be obtained from the Authority (IRDA (Section – 3). The authority is also empowered to cancel the registration (Sec-II). The Registration shall be renewed annually (Sec-3A).

The Insurer shall not be registered by a name identical to that by which an insurer is in existence (Sect-5). After the commitment of the Act a paid up equity capital of Rs. 100 crores shall be maintained for carrying of life insurance or general insurance business. The paid-up capital shall be Rs. 200 crores incase of carrying of excluding the business as a reinsurane (Sec-6). No promoter shall hold morethan 26 percent of the paid-up capital (Sec-6A). Every insurer shall deposit with the Reserve Bank of India (RBI) a surrender value to 1 percent of total cross premium in any financial year incase of general insurance business 3 percent of the premium shall be deposited with Reserve Bank of India (RBI) (Sec-7).
The Competition Act 2002 was promulgated with a view to establish a commission to prevent the practices which are having adverse effect on competition, to promote competition and sustained competition in market, to protect the interest of consumers and to ensure freedom of trade carried on by other participants in markets. The Act has sixty six sections comprising three chapters. The first chapter deals with preliminary and Chapter – II deals with Anti competitive commission agreements Chapter-III deals with constitution, functions and powers of competitive, functions and powers of competitive commission. The service insurance is also under the purview of the Act.

**PROHIBITION OF ANTI COMPETITIVE AGREEMENTS**

This Act has the object of preventing anti-competitive agreements Accordingly.

a. No agreement in respect of production of goods and services likely to cause an appreciable adverse effect on competition with India.

b. Acquisition, merger or amalgamations are subject to regulation.

To promote competition, Competitive Commission of India (CCI) was established. The commission has a perpetual succession and a common seal with power to promote competition in commodity and service markets. Among other things, the commission is to eliminate practices having adverse effect on competition, promote and sustained competition and protect the interest of the consumers (Section -18).
The commission is empowered to enquire into allegations with regard to prevention competition. No business agreement can create barriers to new entrants in the market. The commission shall take into account the following factors to decide whether an enterprise enjoys dominant position.

Upon enquiry if the commission is of the view that an enterprise is in a dominant position in contravention of section 4 of the Act the Commission may pass orders to discontinue such an agreement for dominant position, impose penalty which may not be more than 10 percentage of the average of the turnover for the last three proceeding financial years, award compensation to the aggrieved party and can recommend the Central Government for the division of that enterprise.

The competition Act is for promotion of competition by allowing free entry and at the same time dominant position is subject to regulation.

COMPANIES CARRYING ON INSURANCE BUSINESS

At present life insurance business in India is carried on by more than a dozen companies. Life Insurance Corporation of India (L.I.C) controls more than 85 percentage of the life insurance business in India. The following are the other private sector companies carrying on life insurance business.

(1) HDFC standard Life Insurance Co., I.td.,
(2) ICICI Prudential Life Insurance Co., I.td.,
(3) SBI Life Insurance Co., Ltd.,
(4) Max Newyork Life Insurance Co., Ltd.,
(5) OM Kotak Mahindra Life Insurance Co., I.td.,
(6) Birla Sun Life Insurance Co., Ltd.,
(7) Tata AIG Life Insurance Co., I.td.,
3.6 VALUATION OF LIFE POLICIES

The funds collected through the sale of life plans are invested in a variety of income producing assets. The life fund is built up out of the excess of premiums and investment income over claims and expenses on revenue and capital accounts. The life fund is valued from time to time, the valuation being based on the method of discounting future income and expenditure back to the present. The rate of discount used is usually equal to the rate of interest which the fund's assets are expected to earn on an average, and allowance may be made for increase in interest rate, future bonuses (in the case of "with profit" policies) while determining the discount rate.

A life fund is in surplus if the valuation of fund's greater than the present value of future liabilities. This surplus is available partly for distribution to policyholders and partly for adding to reserves. Only "with-profit" policies participate in the distribution of surplus. There are three basic methods of distributing surplus to policyholders: in the form of cash, as a reduction in premium and as an addition to the value of policy. If the surplus is distributed in the form of addition to the value of policy, it is known as reversionary bonus. The bonus may be declared as a simple reversionary bonus, calculated on the original sum assured, or a compound reversionary bonus, calculated on the original sum assured plus any bonus already declared.
The surplus can be of two types: (1) revenue surplus discussed above i.e., an excess of future income over future outgoing, and (b) capital surplus which arises when the value of the fund is balanced by the values of the various assets of the Life fund as recorded in the balance sheet.

The LIC has valued its funds about every two years between 1979 and 1985. It also conducted a special valuation in March 1986 and announced its results on its 30th anniversary, i.e., on September 1, 1986. The LIC has decided to conduct annual valuation from 1986 instead of biennial valuation which was being conducted till then. The rate of reversionary bonus declared per thousand of sum assured as annum as a result of revaluation and allocations of surplus have increased over the years, indicating the good performance of the LIC in generating premium, and investment income in excess of its expenditures and claims. The 25th valuation in 1994-95 showed a surplus of Rs. 3197 crores, of which an amount of Rs. 3057.93 crores have increased over the years, indicated till then. The valuation as on 31.01.2003 showed a surplus of Rs. 9733 crores, of which Rs. 9426 crore (95 percent) is distributed as bonus to the holders of with profit policies. Bonus rates on various plans per thousand rupees sum assured for 16 years and above are: Whole life policies = Rs.90; Endowment Type Policies = Rs. 58 to 64; Money Back, Anticipated Endowment = Rs.652 to 58, Jeevan Mitra, Jeevan Sathi, Limited Endowment Policies = Rs. 59 to 65; Jeevan Surabhi policies = Rs.54 to 64; Jeevan Anand Plan = Rs. 54 to 59, Jeevan Rekha Plan = Rs. 58 to 64. In addition to the bonuses, LIC declared final additional bonus and loyalty addition to give add on value to those policy holders who keep their policies in force. The rates of final additional bonus are up to Rs. 1400 per thousand sum assured.
COMPULSORY SURRENDER

In case the policy is not revived during the period of revival of commencement of the policy shall be terminated after completion of three years from the date of commencement of the policy or on expiry of revival period, whichever is later. In case the period of revival expires before the end of third policy year. Then the fund value of units, if any shall be converted into monetary terms at the NAV of that day and no charges shall be deducted there after. This monetary amount shall be paid to the policyholder after the end of third policy year.

SURRENDER OF POLICIES

The surrender value, if any is payable only after the completion of the third policy anniversary. The surrender value will be the Fund value of units held in the policyholder's Units Account at the date of surrender. There will be no surrender charge. If a life Assured applies for surrender of the policy within 3 years from the date of commencement of policy, then the Fund Value of units shall be converted into monetary terms at the NAV of that day. No charges shall be made there after and this monetary amount shall be paid on completion of 3 years from the date of commencement of policy.

Irrespective of whether the policy is a single premium or regular premium policy or has run for less or more than three years, if the balance in the policy holder's Unit Account, at any time is not sufficient to recover the relevant charges, the policy shall compulsorily be terminated and the balance amount in the policyholder's Unit Account, if any, will be refunded to the policy holder. Partial surrender of units shall not be allowed.
DAYS OF GRACE

A grace period of one calendar month but not less than 30 days will be allowed for payments of yearly or half-yearly or quarterly premiums. If the death of life assured occurs within the grace period but before the payment of premium then due, the policy will still be valid and the death benefits shall be paid after deduction of all relevant charges, if not recovered. If the premium is not paid before the expiry of the days of grace, the policy lapses and benefits shall be paid as mentioned under Condition 9 above.

REVIVAL OF DISCONTINUED POLICIES

If due premium is not paid within the days of grace the policy lapses. A lapsed policy can be revived during the period of two years from the due date of first unpaid premium or before date of vesting, whichever is earlier. The period during which the policy can be revived will be called "revival period".

If premiums have not been paid for at least 3 years, the policy may be revived within two years from the due date of first unpaid premium. If the life cover is opted for, the revival shall be made on submission of proof of continued insurability to the satisfaction of the Corporation and the payment of all the arrears of premium without interest. The Corporation reserves the right to accept the revival at its own terms of decline the revival of a lapsed policy. The revival of a lapsed policy shall take effect only after the same is approved by the corporation and is specifically communicated in writing to the Life Assured.
If at least 3 years premiums have been paid and subsequent premiums are not paid, the policy may be revived within two years from the due date of first unpaid premium but before the date of vesting, if earlier. No proof of continued insurability is required and all arrears of premium without interest can be paid, irrespective of whether life cover is opted for or not. Irrespective of what is stated above, if less than 3 years premiums have been paid and Fund Value of units held in policyholder's units Account is not sufficient to recover the charges the policy shall terminate and there after revival will not be allowed if 3 years or more than 3 years premiums have been paid and Fund value of units held in policyholder's Units Account reduces to one annualized premium, the policy shall terminate and Fund Value of units as on Reinstatement of surrendered policy shall not be allowed.

FORFEITURE IN CERTAIN EVENTS

In case the premiums shall not be duly paid or in case any condition herein contained or endorsed hereon shall be contravened or in case it is found that any untrue or incorrect statement is contained in the proposal, personal statement, declaration and connected documents or in case any material information is withheld, then and in every such case but subject to the provisions of Section 45 of the insurance Act, 1938, wherever applicable, this policy shall be void and all claims to any benefit in virtue hereof shall belong to the Corporation, excepting always in so far as relief is provided in terms of the privileges here in contained or as may be lawfully granted by the corporation.
SUICIDE

No risk claim will be paid in case the Life Assured commits suicide (whether sane or insane at the times at any time on or after the date on which the risk under the policy has commenced but before the expiry of one year from the date of commencement of risk under this policy.

LOANS

No loan will be available under this policy.

ASSIGNMENTS AND NOMINATIONS

No assignment will be allowed under this policy.

Notice of Nomination should be submitted for registration to the Office of the Corporation. Where this policy is serviced. In registering a nomination the Corporation does not accept any.

ACCIDENT BENEFIT RIDER

If Accident benefit is opted for, at any time when this cover is in force, the Corporation agrees to pay an additional sum equal to the Accident Benefit Sum Assured under this policy if — The Life Assured is involved in an accident resulting in death or — The Life Assured shall sustain any bodily injury resulting solely and directly from the accident caused by outward, violent and visible means and such injury shall within 180 days of its occurrence solely, directly and independently of all other causes result in the death of the life Assured. And the same is proved to the satisfaction of the corporation. However, such additional sum payable in respect of this policy shall not in any event exceed Rs. 50,00,000 taking all existing policies of the life Assured under individual as well as group policies including policies taken with life insurance corporation of India and other insurance companies. The
corporation shall not be liable to pay the additional sum referred above, if
death of the Life Assured.

The corporation shall not be liable to pay the additional sum referred above, if death of the life assured

(i). be caused by intentional self-injury attempted suicide, insanity or immorality or whilst the life assured is under the influence of intoxicating liquor, drug or narcotic; or

(ii). takes place as a result of an accident while the Life Assured is engaged in aviation or aeronautics in any capacity other than that of a fare-paying, per-paying or non-paying passenger in any aircraft which is outsized by the relevant regulations to carry such passengers and flying between established aerodromes, the Life Assured having at that time no duties on board the aircraft or requiring descent there from; or

(iii). be caused by injuries resulting from riots, civil commotion, rebellion, war (whether war be decelerated or only innovation hunting housing serving people closing or racing of any kind; or

(iv). results from the Life Assured committing any breach of law; or

(v). arises from employment of the Life Assured in the armed forces or military service of any country at war (whether war be declared or not) or from being engaged in police duty in any military, naval or police organization.

(vi). occurs after 180 days from the date of accident of the Life Assured.
This benefit will be available only till the date on which the anisettes (as given in the schedule) or till the policy anniversary on which the age nearer birthday of the Life Assured is 70 years, whichever is earlier. No charges for this benefit shall be deducted from the Policy anniversary at which the benefit cases.

**INCREASE / DECREASES OF BENEFIT**

No increase (except to the extent of top-up) or decrease in benefits will be allowed under the plan.

**OPTION TO SWITCH BETWEEN FUNDS**

The policyholder can switch from one fund to another out of the four funds mentioned in condition 3 above, during the policy term, provided the application for a switch is received at the office of the corporation where the policy is serviced. In a given policy year, the Life Assured can make 4 switches free of charge or charge. Subsequent switches in the policy year shall be subject to a switching charge of Rs. 100 per switch.

On receipt of the Life Assureds application for a switch, subject to the above conditions, the Fund Value of the Units held in the Policyholder's Unit account after deduction of Switching charges, if any, shall be transferred to the New Fund opted by the Life Assured and shall be utilized to allocate Fund Units to the policy at the NAV under the New Fund of the said date of the switch.
If a valid application is received up to a particular time, presently 4.15pm as per IRDA guidelines, by the servicing branch the closing NAV of the same day shall be applicable and in respect of the applications received after such time by the servicing branch the closing NAV of the next business day shall be applicable. A watching will not be allowed under a lapsed policy.

RISKS BORNE BY THE LIFE ASSURED

The value of the units as well as the benefits relating to the policyholder's unit account are subject to market and other risks and there can be no assurance that the objectives to any of the above funds will be achieved further, the value of units within each fund can go up or down depending on the different factors affecting the capital markets and any also be affected by changes in the general level of interest rates and other economic factors. All benefits under the policy are also subject to the tax laws and other financial enactments as they become applicable from time to time.

NORMAL REQUIREMENTS FOR A CLAIM

The normal documents which the claimant shall submit while lodging the claim in case of death of the life assured shall be the claim forms, as prescribed by the corporation, accompanied with original policy document, proof of title. Proof of death, proof of accident, medical treatment prior to death, employer's certificate whichever is applicable, to the satisfaction of the corporation. If the age is not admitted under the policy, the proof of age of the life assured shall also be submitted. Other financial enactments as they become applicable from time to time.
At the vesting date of the policy or in case of surrender, the life assured shall submit the discharge form along with the original policy document besides proof of age, if the age is not admitted earlier.

LEGISLATIVE CHANGES

The Terms and conditions including the premiums and benefits payable under this policy are subject to variation in accordance with the relevant Legislation & Regulations.

SECTION 45 OF INSURANCE ACT, 1938

“No policy of life insurance effected before the commencement of this Act shall after the expiry of two years from the date of commencement of this Act and no policy of life insurance effected after the coming into force of this Act shall after the expiry of two years form the date on which it was effected, by called in question by an insurer on the ground that a statement made in the proposal for insurance or in any report of a medical officer, or referee, or friend of the insured, or in any other document leading to the issue of the policy, was inaccurate or tales, unless the insurer shows that such statement was on a memorial matter or suppressed facts which it was material to disclose and it was fraudulently made by the policyholder and that the policy holder knew at the time of making it that the statement was false or theater suppressed facts which it was material to disclose.

Provided that nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life assured was incorrectly stated in the proposal.” In case the policy holder has any complaint /grievance, he approach Grievance Redressal Officer / Ombudsman.
CONCLUSION

As per the recommendation of Malhotra Committee Government holdings in insurance business is reduced to 50 percent. A private company cannot do both life insurance and general insurance business. This committed recommended for the creation of Insurance Regulatory body. Based on the recommendations of Malhotra Committee, Insurance Regulatory and Development Authority Act, 1999 was passed. As per the provisions of the Act Insurance Development and Regulatory Authority was created. This authority was given wider powers, among other things, duty to regulate, promote and ensure already growth of insurance business. A life insurance business company has to obtain a certificate registration of an IRDA. The central also enjoys wider powers under the IRDA Act, among other things, the power to supersede the IRDA. The IRDA has to file returns to the Central Government. The accounts of the insurance business are subject to audit as per law. The Insurance Act 1938 as amended in 2002 prescribes that no promoter shall hold more than 26 percent of the paid-up capital. The competition Act, 2002 promotes competition and eliminates policies having adverse effect on competition.

The life fund act of excess premium and investment income is valued by the method discounting future income – with profit policies participate in the distribution of surpluses. The valuation of life – fund of the LIC should be surplus of Rs.9733 cross as on 31.01.2003 and out of which Rs. 9426 crores were used for distributes bonus. Days of grace were allowed for payment of premiums. The Insurance Act, 1938 makes rules for revival of discontinued policies, child forfeiture of policies, suicides, loans against policies, Assignments and nominations, accident benefit rider, option to switch between funds, normal requirements for a claim, requirement of age proof and grievance redussal.