

Insurance

IRDAI

The **Insurance Regulatory and Development Authority of India (IRDAI)** is an autonomous, statutory agency tasked with regulating and promoting the insurance and re-insurance industries in India. It was constituted by the Insurance Regulatory and Development Authority Act, 1999, an Act of Parliament passed by the Government of India. The agency's **headquarters** are in **Hyderabad, Telangana**, where it moved from Delhi in 2001. There are 28 general insurance companies, including the Export Credit Guarantee Corporation of India and the Agriculture Insurance Corporation of India, and 24 life-insurance companies operating in the country.

Section 4 of the **IRDAI Act 1999** specifies the authority's composition. IRDAI is a **10-member body** including the chairman, five full-time and four part-time members appointed by the **government of India**. This body was chaired by **T. S. Vijayan** and its full-time members were P. J. Joseph, Nilesh Sathe, V. R. Iyer, Pournima Gupte and D. D. Singh.

About IRDAI Act, 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**.

List of Important Terms and its Definition Under Insurance Sector:

Absolute Assignment:

An **absolute assignment** is the act of complete transfer of the ownership (all rights, benefits and liabilities) of the policy completely to other party without any terms and condition.

For instance, a policy owner X wants to gift his life insurance policy to another person named Y. Hence X is doing absolute assignment. Here X is the assignor and Y is the assignee. Now all benefits, returns and even the liabilities are in the name of Y. If Y wants, he can further use absolute assignment and transfer the policy to other party.

Actuaries:

A person with expertise in the fields of economics, statistics and mathematics, who helps in risk assessment and estimation of premiums etc for an insurance business, is called an **actuary**. Actuaries play a crucial role in the operation and profitability of any insurance business.

Actual Cash Value:

A **valuation of the damaged property**, i.e. its monetary worth at market value immediately preceding the occurrence of the loss, is called **actual cash value** of the property. It gives the estimate of the cost of replacement or repair of the damaged asset.

Agent:

An **agent** is a person who represents an insurance firm and sells insurance policies on its behalf. Their services can be rewarded in the form of salary or commission. There are **two types** of agent. They are

Independent agents:

It may represent **many insurance firms** and receive commission for their services accordingly.

Captive or Exclusive agents:

It is exclusively employed by a **particular insurance firm** and sell policies of the same.

Aggregate Limit:

Usually refers to liability insurance and indicates the amount of coverage that the insured has under the contract for a specific period of time, usually the contract period, no matter how many separate accidents might occur.

Appraisal Value:

Appraisal value is used to measure the value of an insurance company. It is also known as actuarial appraisal value. It includes:

1. Present Value of existing business, also called **Embedded Value**.
2. Value of new business, that is the present value of the future business profits.
3. Adjusted book value.

Assessed Value:

For taxation, a property is assessed for its monetary worth. This ascertained price is known as **assessed value**. This assessment is done at an annual basis, considering factors such as property values and market conditions in the neighboring areas. Insurance companies may not use these valuations for indemnification, etc. In general, this assessed value tends to be **less than the fair** or actual market price of the property.

Assignor:

A party or entity who transfers the rights of the contract they hold to another party (assignee) is called the **assignor**. Assignor transfers the complete rights of ownership and benefits pertaining to the contract to the assignee. For instance, party A gives an absolute assignment to party B of an insurance policy of Rs. 1 lakh. Here A becomes the assignor.

Bailee:

Bailee is person legally holding the goods of another, may be for payment or other reason. Motors garages and watch repairers have a responsibility to take care of the items in their custody and this gives them an insurable interest even though he is not owner.

Bancassurance:

Bancassurance means selling insurance product through banks. Banks and insurance company come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients.

Cede or Ceding Company:

Ceding company is an insurance company that transfers the insurance portfolio to a reinsurer. The insurer however is liable to pay the claims in the event of default by the reinsurer.

Concealment:

Concealment is the act of hiding or not putting forward any relevant fact in front of the insurer that need to be revealed. An applicant commits this fraudulent act intentionally or unintentionally that may lead to loss to the insurer. Hence concealment **may lead to risk** for the insurer.

Contingent Beneficiary:

For instance, the owner of the policy chooses his/her spouse as the primary beneficiary. However, the spouse dies at the same time as that of the insured. Here the children of the insured will become the **contingent beneficiary**.

Deferred Acquisition Cost:

The practice of deferring the outlays incurred in the acquisition of new business over the term of the insurance contract is called **deferred acquisition cost**.

Expense Loading:

Expense loading is the amount included in the **premium charged by an insurance company** to cover its administrative and maintenance costs.

General Insurance:

Insurance contracts that do not come under the ambit of life insurance are called **general insurance**. The different forms of general insurance are fire, marine, motor, accident and other miscellaneous non-life insurance. Like life insurance, general insurance products come at a price in the form of premium.

Group Policy:

Group policy provides coverage to a group of people which can be a professional group like employee-employer group or an informal group. Group policy provides coverage at a **lower cost per person** in the group. Therefore, a group policy is more affordable than an individual policy. If the participant wishes to leave the group, his/her coverage might be ceased.

Guaranteed Survival Benefit:

Guaranteed survival benefits are benefit given to the policy holder during or upon completion of the policy tenure. Survival benefit applies only in the case the insured is alive. If not, the insured is entitled to receive death benefits.

Indemnity:

Indemnity means making compensation payments to one party by the other for the loss occurred. Indemnity is based on a **mutual contract** between two parties (one insured and the other insurer) where one promises the other to compensate for the loss against payment of premiums.

Lapsed Policy:

The policy for which all benefits to the policy holder cease and is terminated due to non - payment of premium amount on the due date or even after the grace period is called a **lapsed policy**. To avoid losses to all parties, generally the revival and reinstatement is encouraged and facilitated.

Life Annuity:

Life annuity is an insurance product in which the annuitant receives a series of future payments for his/her lifetime after retirement. The annuitant must pay a predetermined payment or a series of regular payments till he/she is working.

Mitigation:

Mitigation means reducing risk of loss from the occurrence of any undesirable event. This is an important element for any insurance business to avoid unnecessary losses.

Nominee:

A person who receives the benefit in case of death of the insured person is a **nominee**. The insured person chooses or nominates his/her nominee at the time of buying the life insurance policy. Nominee is usually the spouse, children or parents. The insured person can nominate one or more person as his/her nominee.

Premium:

Premium is an amount paid periodically to the insurer by the insured for covering his risk. The premium paying frequency can be different. It can be paid in monthly, quarterly, semi-annually, annually or in a single premium.

Paid Up Policy:

Paid-up policy falls into the category of **traditional insurance plans**. The sum assured is limited to the paid-up value. It is calculated as the ratio of number of premiums paid to the total number of premiums that were supposed to be paid according to the policy multiplied by the sum assured at maturity.

Penetration Rate:

Penetration rate indicates the level of development of insurance sector in a country. Penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP.

Proposal Form:

Proposal form is the most important and basic document required for life insurance contract between the insured and insurance company. It includes the insured's fundamental information like address, age, name, education, occupation etc. It also includes the person's medical history.

Reinsurance Risk:

Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavourable market conditions, etc.

Reinstatement:

If an insured person fails to pay the premium due to various circumstances and as a result the insurance policy gets terminated, then the insurance coverage can be renewed. This process of putting the insurance policy back after a lapse is known as **reinstatement**.

Retention Limit:

The maximum amount of risk retained by an insurer per life is called **retention**. Retention is computed on the basis of Net Amount at Risk. Beyond that, the insurer cedes the excess risk to a reinsurer. The point beyond which the insurer cedes the risk to the reinsurer is called **retention limit**.

Revival Period:

Insurance policy lapses when the insured defaults on the **payments of renewal premium beyond a grace period**. Insurance companies provide an option of reactivating the lapsed policy, within a specific period of time post the grace period. This period offered by the insurer to revive the policy and avail benefits pertaining to it is termed as **revival period**. In this case, the policy holder needs to pay the interest along with the unpaid premium.

Risk Assessment:

Risk assessment, also called underwriting, is the methodology used by insurers for evaluating and assessing the risks associated with an insurance policy. The same helps in calculation of the correct premium for an insured.

Surrender Value:

It is the amount the policyholder will get from the life insurance company if he decides to **exit the policy before maturity**.

As per a recent Insurance and Regulatory Development Authority (IRDA) directive, life insurance companies have been asked not to levy surrender charges if the policyholder chooses to terminate the cover after **five years**.

Third Party Insurance:

It is referred to as a **'third-party' cover** since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company). The policy does not provide any benefit to the insured. However, it **covers the insured's legal liability** for death/disability of third-party loss or damage to third-party property.

Vesting Bonus:

Vesting bonus is the bonus given by the insurer to the policy holder after ascertaining its assets and liabilities. If, however, the policy

is surrendered before maturity, the vesting bonus is added to the paid-up value (reduced sum assured) provided the policy has completed a stipulated period of time.

Abbreviations:

- ACA** - Association of Corporate Counsel
- ACCA** - Association of Chartered Certified Accountants
- ACAS** - Associate of the Casualty Actuarial Society
- ACSR** - Accredited Customer Service Representative
- ADB** - Accidental Death Benefit
- AIAF** - Associate in Insurance Accounting and Finance
- AIRB** - Aviation Insurance Rating Bureau
- ANSI** - American National Standards Institute
- ARS** - Auction Rate Security
- ART** - Alternative Risk Transfer; Annual Renewable Term (life insurance)
- ASLI** - Associate in Surplus Lines Insurance
- BPF** - Basic Premium Factor
- CAPM** - Capital Asset Pricing Model

- CARE** – Credit Analysis and Research Limited
- CARF** - Commission on Accreditation of Rehabilitation Facilities
- CAD** – Capital Account Deficit
- DFA** - Dynamic Financial Analysis (risk model)
- DFIRM** - Digital Flood Insurance Rate Map
- ECI** - Export Credit Insurance
- EFT** - Electronic Funds Transfer
- ESOP** - Employee Stock Ownership Plan
- GAAR** – General Anti- Avoidance Rule
- GFD** – Gross Fiscal Deficit
- GWP** - Gross Written Premium
- ICIA** - International Credit Insurance Association
- MCR** - Minimum Capital Requirement
- ULIPs** – United Linked Insurance Plans
- UPR** – Unearned Premium Reserve
- WP** - Waiver of Premium Rider

Life Insurance Companies in India:

S.no	Life Insurance Companies in India	About	Tagline	Chairman / Managing Director	Head quarters	Type
1	Aviva India	It is an Indian life assurance company, and a joint venture between Aviva plc , a British assurance company, and Dabur Group , an Indian conglomerate. As per the Indian insurance sector regulations, Aviva plc has a 49% stake and Dabur has a 51% stake in the JV partnership. It began its operations in July 2002.	Kal Par Control	Mr. Trevor Bull	Gurgaon, Haryana	Private
2	Bajaj Allianz Life Insurance	It is a joint venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) owned by the Bajaj Group of India and Allianz SE , a European financial services company. It began operations on 12 March 2001 .	Jiyo Befikar	Tarun Chugh	Pune, India	Private
3	Birla Sun Life Insurance Company Limited	It is a joint venture between the Indian conglomerate Aditya Birla Group , and Sun Life Financial Inc. , an international financial services organisations from Canada. In April 2016, Sun Life Financial increased their stake in Birla Sun Life Insurance to 49% .	Your Dreams, Our Commitment	Kumar Mangalam Birla	Mumbai, Maharastra	Private
4	Exide Life Insurance	It is a 100% Indian owned life insurance company, owned by the Exide Industries. It has been operating since 2001 . It is formerly called ING Vysya Life Insurance Company .	lamba sath bharose ki baat	Kshitij Jain	Bangalore, Karnataka	Private
5	HDFC Standard Life Insurance	It is a joint venture between Housing Development Finance Corporation Ltd (HDFC), one of India's leading housing finance institution and Standard Life Aberdeen PLC (UK) . HDFC Life was established in 2000 becoming the first private sector life insurance company in India.	Sar utha ke jiyo	Amitabh Chaudhry	Mumbai, Maharastra	Private
6	ICICI Prudential Life Insurance	It is a joint venture between ICICI Bank and Prudential plc (UK)	Zimmedarika Humsafar	Sandeep Bakhshi	Mumbai, Maharastra	Public
7	IDBI Federal Life Insurance	It is a three-way joint-venture of IDBI Bank , Federal Bank , and Ageas , a multinational insurance giant (Europe).	-	Vighnesh Shahane	Mumbai, Maharastra	
8	India First Life Insurance Company	It is a joint venture between two of India's public-sector banks – Bank of Baroda (44%) and Andhra Bank (30%), and UK's financial and investment company Legal & General (26%)	-	R.M.Vishakha	Mumbai, Maharastra	Private

9	Life Insurance Corporation of India	It is an Indian state-owned insurance group and investment company . It was founded in 1956 .	Yogakshemam Vahamyaham	V. K. Sharma	Mumbai, Maharashtra	Public
10	Max Life Insurance	It is formerly known as Max New York Life Insurance Company Limited provides life insurance in India. The company is a no.1 subsidiary of Max Financial Services Limited. It was founded in 2000 and its operations began in 2001 . It is a joint venture between Max Financial Services and Mitsui Sumitomo Insurance Company	Karo Jyada ka Iraada	Rajesh Sud	New Delhi	Private
11	Peerless Group	It is an Indian business conglomerate. It was established in 1932 . Its major holding company is Peerless General Finance & Investment Co Ltd, which is the India's largest Registered Residuary Non-Banking Company .	-	D. Basu	Kolkata, West Bengal	Public
12	PNB MetLife India Insurance Company	It is one of the leading life insurance companies in India present since 2001 . PNB MetLife has as its shareholders MetLife International Holdings LLC (MIHL) , Punjab National Bank Limited (PNB) , Jammu & Kashmir Bank Limited (JKB) .	Now be double sure	Ashish Kumar Srivastava	Mumbai, Maharashtra	Private
13	SBI Life Insurance Company	It is a joint venture life insurance company between State Bank of India (SBI) , and BNP Paribas Cardiff (France) . SBI owns 70.1% of the total capital and BNP Paribas Cardiff 26% of the capital. It started its operations in the year 2001 .	With Us, You are Sure	Arijit Basu	Mumbai, Maharashtra	Private
14	Edelweiss Tokio Life Insurance	It is a new age life Insurance company in India. It is a joint venture between Edelweiss , a diversified financial services conglomerate in India, and Tokio Marine , one of the oldest life insurance companies in Japan .	-	Deepak Mittal	Mumbai, Maharashtra	Private

General Insurance companies in India:

S.no	General Insurance Companies in India	About	Tagline	Head/ Chairman	Headquarters	Type
1	Agriculture Insurance Company of India	It offers yield-based and weather-based crop insurance programs in almost 500 districts of India. The initial paid-up capital was Rs. 200 crores , which was subscribed by the promoting companies, General Insurance Corporation of India GIC (35%) , NABARD (30%) and the four public-sector general insurance companies (8.75%) each, viz., National Insurance Co. Ltd., Oriental Insurance Co. Ltd., New India Assurance Co. Ltd., and United India Insurance Co. Ltd.	Sampann Bharat Ki Pehchan, Beemit Phasal Khushal Kisan	Joseph Plappallil	New Delhi, India	Public
2	Apollo Munich Health Insurance	It is Founded on 8 August 2007, it is a joint venture between the Apollo Hospitals group and Munich Health (Germany) .	We Know Healthcare, We Know Insurance	Antony Jacob	Gurgaon, Haryana	Private
3	Cholamandalam MS General Insurance	It is an Indian insurance firm and a joint venture between the Murugappa Group , an Indian conglomerate, and the Mitsui Sumitomo Insurance Group (MSIG) , a Japanese insurance company.	-	S.S Gopalaratnam	Chennai, Tamilnadu	Public
4	Bajaj Allianz General Insurance	The company is a joint venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) owned by the Bajaj Group of India and Allianz SE , a German financial services company.	Jiyo Befikar	Tapan Singhel	Pune, Maharashtra	Private

5	Bharti AXA General Insurance	It is a joint venture between Bharti Enterprises and AXA business Group that operates in India. Bharti Enterprises shares 51% stake in the venture while AXA Group shares 49% stake. It has started its operations in India from August 2008.	Jeevan Suraksha ka Naya Nazariya	Sanjeev Srinivasan	Mumbai, Maharashtra	Private
6	Cigna TTK	It is a health insurance firm established as a joint venture between the Cigna, the global insurance player and TTK Group , an Indian conglomerate. It was incorporated on 12 March 2012 , under the Company's Act of 1956	-	Sandeep Patel	Mumbai, Maharashtra	Private
7	Export Credit Guarantee Corporation of India	It is a company wholly owned by the Government of India . It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce . Government of India had initially set up Export Risks Insurance Corporation (ERIC) in July 1957. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee Corporation of India in 1983.		Geetha Muralidhar	Mumbai, Maharashtra	Public
8	GIC Re	It was the sole reinsurance company in the Indian insurance market with over four decades of experience.	Aapatkale Rakshisyami	Alice Vaidyan	Mumbai, Maharashtra	Public
9	HDFC ERGO General Insurance Company	It is a joint venture between HDFC Ltd. and ERGO International AG , a Germany-based company that is part of the Munich Re Group .	-	Ritesh Kumar	Mumbai, Maharashtra	Private
10	ICICI Lombard	Established in 2001 , ICICI Lombard General Insurance Company is a joint venture between ICICI Bank and Fairfax Financial Holdings Limited - a financial services company based in Toronto. ICICI bank had 64% stake in the venture while Fairfax had 35% in the joint venture. It is the largest private sector general insurance company in India	Quick easy Smart	Bhargav Dasgupta	Mumbai, Maharashtra	Private
11	IFFCO Tokio	It is a joint venture between Indian Farmers Fertiliser Cooperative (IFFCO) and its associates and Tokio Marine and Nichido Fire Group . IFFCO holds 51% shareholding and TOKIO MARINE holds 49% shareholding in IFFCO-Tokio General Insurance.	Muskurate Raho	Warendra Sinha	Gurgaon, Harayana	Private
12	L&T General Insurance	It is an Indian multi-national conglomerate . L&T has formed a joint venture with SapuraCrest Petroleum Berhad , Malaysia for providing services to the offshore construction industry.	-	S. N. Subrahmanyam	Mumbai, Maharashtra	Public
13	Liberty Videocon General Insurance	It is a joint venture between the Boston-based insurance company Liberty Mutual Insurance Group and India-based Videocon Industries	-	Roopam Asthana	Mumbai, Maharashtra	Private
14	National Insurance Company	It is a state owned general insurance company in India. It was established in 1906 and nationalised in 1972 .	Trusted Since 1906	K Sanath Kumar	West Bengal, Kolkata	Public
15	New India Assurance	It was founded in 1919, and was nationalised in 1973 . New India Assurance is the first Indian non-life company to reach Rs.18,000 crore global gross premium. It is fully owned by GOI .	India's Premier General Insurance Company	G.Srinivasan	Mumbai, Maharashtra	Public
16	The Oriental Insurance Company	It was incorporated on 12 September 1947 as a government-owned non-life insurance company. It was Nationalised in 1956 .	Prithvi, Agni, Jal, Akash, Sabki Suraksha Hamare Paas	A V Girija Kumar	New Delhi	Public
17	Reliance General Insurance	Reliance General Insurance was incorporated on 17 August 2000 .	-	Rakesh Jain	Mumbai, Maharashtra	Private

18	Religare Enterprises Limited (REL)	Founded in 1984, initially Religare was a stock brokerage firm called Religare Securities Ltd (RSL) and was admitted to the National Stock Exchange (NSE) in 1994 . It offers an integrated suite of financial services through its underlying subsidiaries and operating entities, includes Loans to Small and Medium Enterprises (SME)'s .	Value that Bind	Malvinder Mohan Singh	New Delhi	Public
19	Royal Sundaram General Insurance	A subsidiary of Sundaram Finance , is the first private sector general insurance company in India to be licensed in October 2000 by IRDAI.	-	MS Sreedhar	Chennai, Tamilnadu	Public
20	Star Health and Allied Insurance	It is an Indian insurance company that commenced its operations in 2006 . The company primarily focuses on Health Insurance, Travel Insurance and Accident policies.	-	V. Jagannathan	Chennai, Tamil Nadu	Private
21	Tata AIG General	It is a joint venture between the Tata Group and American International Group (AIG) . Tata Group holds 74 per cent stake in the insurance venture with AIG holding the balance 26 percent .	-	Neelesh Garg	Mumbai, Maharashtra	Private
22	United India Insurance Company	It is a wholly owned by the Government of India , is the 2nd Largest general insurance company with Premium of Rs.16000+ Crore in India. It was incorporated on 18 February 1938, and was nationalised in 1972 .	Rest Assured with Us	Nagaraj Sarma	Chennai, Tamil Nadu	Public
23	Universal Sompo General Insurance Company	It is a private public joint venture in general insurance where two nationalized banks, namely Allahabad Bank and Indian Overseas Bank , one private sector bank namely Karnataka Bank Ltd , one FMCG namely Dabur Investment Corp and a leading general insurer from Japan namely Sompo Japan Nipponkoa Insurance Inc have formed a general insurance company. It is India's first Public - Private Partnership in General Insurance Industry.	-	Rajiv Kumar	Mumbai, Maharashtra	Public Private Partnership