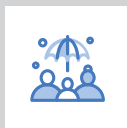
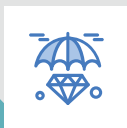


Diploma in **INSURANCE SERVICES**

Module 5: Regulatory Aspects in Insurance



Open Vocational Educational Programme

Diploma in Insurance Services

5



NATIONAL INSTITUTE OF OPEN SCHOOLING

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Welcome to the course "Diploma in Insurance Services".

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This one year programme provides individuals with specialized knowledge and skills related to the insurance industry. This course provides basic knowledge of Life, General and Health insurance that enable learners to understand and appreciate their professional career in the right perspective. Inputs that you receive in this course will assist you in comprehending how and why you could decide to pursue it as a career since Insurance Sector is one of the most demanding careers in today's market.

This course has five modules, namely Skill India and BFSI Introduction to Insurance, Life Insurance, Non-Life Insurance, Health Insurance and Regulatory Aspects in Insurance. Each module has been designed keeping in view the requirements of self-motivated learners like you. The texts are written in simple language, supplemented by pictures and figures to lend clarity to the content. You will find the lessons interesting and will be able to apply your knowledge in real-life situations. So, read all these lessons carefully and prepare well for the examinations. You ultimately have to enter the competitive world and your success at the place of work will depend on how skillfully you have performed your assigned job.

As this is a vocational course which is skill based so master your skills, practical training is must. So, we request you to kindly attend the Personal Contact Programme (PCP) at your allotted Accredited Vocational Institutes (AVIs).

I hope this study material will be very helpful to the learners who have registered for this course. Our sincere thanks go to the experts of the course writing and editing team (list given elsewhere in this booklet) who worked very hard in revising this self instructional material, particularly to Dr. Sunil Kadyan and his team, who had excellently revised the Qualification Packs (QPs) as per the BFSI Sector Skill Council.

In case you have any difficulty in your studies, do not hesitate to write to us at dirvoc@nios.ac.in

Wishing you good luck and success!

Ms. Anitha Nair

Deputy Director

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How to use the Learning Material

Congratulations! You have accepted the challenge to be a self-learner. It means, you have to organize your study, learn regularly, keep up your motivation and achieve your goal. Here it is solely you, who is responsible for your learning. NIOS is with you at every step. It has developed the material in Diploma in Insurance Services keeping only you in mind. A format supporting independent learning has been followed. You can take the best out of this material if you follow the instructions given below.



Title: will give a clear indication of the contents within. Do read it.



Introduction: This will introduce you to the lesson linking it to the previous one.



Objectives: These are statements that explain what you are expected to learn from the lesson. The objectives will also help you to check what you have learnt after you have gone through the lesson. Do read them.



Notes: Each page carries empty space in the side margins, for you to write important points or make notes.



Intext Questions: Very short answer self check questions are asked after every section, the answers to which are given at the end of the lesson. These will help you to check your progress. Do solve them. Successful completion will allow you to decide whether to proceed further or go back and learn again.



What You Have Learnt: This is the summary of the main points of the lesson. It will help in recapitulation and revision. You are welcome to add your own points to it also.



Terminal Questions: These are long and short questions that provide an opportunity to practice for a clear understanding of the whole topic.

Answers To Intext Questions : These will help you to know how correctly you have answered the questions.



Learning Outcomes: This box provides additional information. The text in boxes is important and must be given attention. It is not meant for evaluation, but only to improve your general knowledge.



Activities: Certain activities have been suggested for better understanding of the concept.

www Web site: These websites provide extended learning. Necessary information has been included in the content and you may refer to these for more information.

COURSE OVERVIEW

MODULE-1 456

Skill India and BFSI : Introduction to Insurance

MODULE-2 457

Life Insurance

MODULE-3 458

Non-Life Insurance

MODULE-4 459

Health Insurance

MODULE-5 460

Regulatory Aspects in Insurance

CAREER OPPORTUNITIES



CONTENTS

MODULE	LESSON	PAGE NO.
5. Regulatory Aspects in Insurance		
	1. Insurance Legislation In India	1-18
	2. Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)	19-38
	3. Regulatory Aspects of Insurance Agent (Part-II)	39-48
	4. Regulatory Framework of Insurance Sector	49-70
	5. Income Tax Provisions Related to Insurance Industry	71-90
	6. Grievance Redressal Mechanism	91-104
	7. Energy/Electricity Conservation	105-120
	8. Waste Management/Recycling	121-140
	9. Health, Safety and Security at The Workplace (Part-I)	141-154
	10. Health, Safety and Security at The Workplace (Part-II)	155-166

**1**

INSURANCE LEGISLATION IN INDIA

1.0 INTRODUCTION

Every industry is controlled by a legal framework for its development and smooth functioning. Insurance industry also consists of various regulations including its legislation and various acts developed for smooth functioning of the industry. This chapter will cover topics on development of the Insurance Legislation in India, Insurance Councils, Insurance Act, 1938, GIC Act, 1972 and LIC Act, 1956.



1.1 OBJECTIVES

After reading this lesson, you will be able to:

- Explain the development of the Insurance Legislation in India
- Explain the role of Insurance Councils in India
- Appreciate the role and functions of LIC and GIC
- Describe Insurance Act, 1938
- Explain GIC Act, 1972 and LIC Act, 1956 in brief

1.2 DEVELOPMENT OF THE INSURANCE LEGISLATION IN INDIA

The development and growth of the insurance industry in India has gone through three distinct stages.

Module - 5

Regulatory Aspects in Insurance



Notes

INSURANCE LEGISLATION IN INDIA

EVALUATION OF INSURANCE INDUSTRY IN INDIA

- Establishment of Oriental Life Insurance Company in 1818 in Calcutta,
- Setting up of the Bombay Life Assurance Company in 1823, the Madras Equitable Life Insurance Society in 1829 and the Oriental Life Assurance Company in 1874.
- Passing of the Indian Life Assurance Companies Act, 1912
- Triton Insurance Company Ltd. (first non-life insurance co.) was promoted in 1850 by British nationals in Calcutta.
- The first general insurance company established by an Indian was Indian Mercantile Insurance Company Ltd. in Bombay in 1907.
- Non-life insurance was finally regulated in 1938 through the passing of the Insurance Act, 1938.

NATIONALIZATION OF INSURANCE BUSINESS

- The Life Insurance Corporation was formed in September 1956 by the Life Insurance Corporation Act, 1956
- The general insurance business was also nationalized with effect from January 1, 1973, through the introduction of the General Insurance Business (Nationalisation) Act, 1972
- GIC was grouped into 4 subsidiaries- the National Insurance Company Ltd, the New India Assurance Company Ltd, the Oriental Insurance Company Ltd and the United India Assurance Company Ltd.

ENTRY OF PRIVATE PLAYERS

- From 1991 onwards, the Indian Government introduced various reforms in the financial sector paving the way for the liberalization of the Indian economy.
- In 1993, the Government of India set up Malhotra Committee chaired by Mr. R. N. Malhotra,
- The Insurance Regulatory and Development Act, 1999 was passed on December 2, 1999

Figure 1.1: Development of the Insurance Legislation in India in three distinct stages



1. Evaluation of the Insurance Industry in India

In India, the Insurance law was originated during the British rule, with the establishment of the Oriental Life Insurance Company that was a British firm in the year 1818 in Calcutta. It was followed by the Bombay Life Assurance Company in 1823, the Madras Equitable Life Insurance Society in 1829 and the Oriental Life Assurance Company in 1874. However, till the establishment of the Bombay Mutual Life Assurance Society in 1871, Indians were charged an extra premium of up to 20% as compared to the British. The first statutory measure in India to regulate the life insurance business was in 1912 with the passing of the Indian Life Assurance Companies Act, 1912 (“Act of 1912”) (which was based on the English Act of 1909). Other classes of insurance business were left out of the scope of the Act of 1912, as such kinds of insurance were still in the basic form and legislative controls were not considered necessary.

On the other hand, general insurance also has roots in the age of British control. British nationals in Calcutta promoted Triton Insurance Company Ltd., the first general insurance firm, in 1850. Indian Mercantile Insurance Company Ltd., founded in Bombay in 1907, was the first general insurance firm founded by an Indian. Ultimately, with the expansion of fire, accident, and marine insurance, it was thought necessary to include these insurance types under the Act of 1912. Despite numerous failed attempts to implement similar legislation over the years, the Insurance Act, 1938 (also known as the “Act of 1938”), which was finally passed in 1938, regulated non-life insurance. The Act of 1938, as amended throughout the years, is the foundation piece of insurance legislation, regulating both life insurance and general insurance. According to the definition of general insurance, “fire insurance business,” “marine insurance business,” and “miscellaneous insurance business” are all included, either separately or together.

2. Nationalization of the Insurance Business in India

On January 19, 1956, the management of life insurance business of two hundred and forty five Indian and foreign insurers and provident societies then operating in India was taken over by the Central Government. The Life Insurance Corporation (“LIC”) was formed in September 1956 by the Life Insurance Corporation Act, 1956 (“LIC Act”) which granted LIC the exclusive privilege to conduct life insurance business in India. However, an exception was made in the case of any company, firm or persons intending to carry on life insurance business in India in respect of the lives of “persons ordinarily resident outside India” provided the approval of the Central Government was obtained.

Regulatory Aspects in Insurance



Notes

The General Insurance Business (Nationalisation) Act, 1972 (the “GIC Act”), which was introduced on January 1, 1973, also led to the nationalisation of the general insurance industry. To ensure the growth of the general insurance business in India and for the regulation and control of such business, the shares of the existing Indian general insurance companies and undertakings of other existing insurers were transferred to the General Insurance Corporation (“GIC”) under the provisions of the GIC Act. The GIC began operations on January 1, 1973, after being founded by the Central Government in November 1972 in compliance with the terms of the Companies Act, 1956 (“Companies Act”). There were 107 companies, including foreign firms, supplying general insurance in India before to 1973.

These companies were amalgamated and grouped into four subsidiary companies of GIC viz. the National Insurance Company Ltd. (“National Co.”), the New India Assurance Company Ltd. (“New India Co.”), the Oriental Insurance Company Ltd. (“Oriental Co.”), and the United India Assurance Company Ltd. (“United Co.”). GIC undertook mainly re-insurance business apart from aviation insurance. The bulk of the general insurance business of fire, marine, motor and miscellaneous insurance business was under taken by the four subsidiaries.

3. Entry of Private Players

Since 1956, with the nationalization of insurance industry, the LIC held the monopoly in India’s life insurance sector. GIC, with its four subsidiaries, enjoyed the monopoly for general insurance business. Both LIC and GIC have played a significant role in the development of the insurance market in India and in providing insurance coverage in India through an extensive network. Various reforms were introduced by Indian Government for private sector leading to liberalization of Indian economy. It was a matter of time before this liberalization affected the insurance sector. A huge gap in the funds required for infrastructure was felt particularly since much of these funds could be filled by life insurance funds, being long tenure funds.

1.3 INSURANCE COUNCILS

Life Insurance Council: The major function of Life Insurance Council is to assist the life insurers in maintaining high standards of service to policyholders. The council has 24 members who represent their respective life insurance companies. An important goal of the council is to transform the life insurance industry into a profitable service along with the welfare of policyholders. It interacts with the government and other bodies on



various policy issues. It is also responsible for spreading insurance awareness in India. The council plays a vital role in holding various events like insurance education, research, training and conference within the country.

Life Insurance Council also makes effort to build a positive image of industry by gaining the confidence of policyholders. It also interacts with other organization of the financial service sector. The council provides help and guidance to its members. It also working as an active link between the Indian life insurance industry and the global markets.

General Insurance Council: General Insurance Council aims to promote better understanding of non-life insurance industry among the people. The main objective of the council is to strengthen the non-life insurance industry. The council backs various demands of general insurance companies before government and regulator. It also represents the opinion of general insurance industry before various authorities. The executive committee of General Insurance Council consists of 30 members.

The council represents the collective interest of the general insurance companies. It is responsible for building positive image of general insurance industry among people. It also provides other services to the member companies like active role in management of commercial vehicle third party liability, management solution and others. The council develops codes of conduct for the member companies, compliance programs to observe rules and regulations, etc.

The council also takes various measures to check insurance frauds. It acts as a mediator for information and dialogue exchange with the overseas insurance associations by participating in international organizational activities and international meetings. The council holds various activities to promote international cooperation and development of business environment within the country.

Regulatory Aspects in Insurance



Notes

Life Insurance Council

- The main goal of the council is to transform the life insurance industry into a profitable service along with the welfare of policyholders.
- It interacts with the government and other bodies on various policy issues.
- It is also responsible for spreading insurance awareness in India.
- The council plays vital role in holding various events like insurance education, research, training and conference within the country.
- Life Insurance Council also makes effort to build positive image of industry by gaining the confidence of policyholders.
- The council provides help and guidance to its members. It is also working as an active link between the Indian life insurance industry and the global markets.

General Insurance Council

- The main objective of the council is to strengthen the non-life insurance industry.
- It represents the opinion of general insurance industry before various authorities
- The council develops codes of conduct for the members companies, compliance programs to observe rules and regulations, etc.
- The council also takes various measures to check insurance frauds.
- It acts as a mediator for information and dialogue exchange with the overseas insurance associations by participating in international organizational activities and international meetings.

Figure 1.2: Insurance Councils in brief

1.4 LIFE INSURANCE CORPORATION ACT, 1956

Life Insurance Business in India was nationalized with effect from January 19, 1956. On this date, the Indian business of 16 non-Indian insurers operating in India and 75 Provident Societies were taken over by the Government of India. Life Insurance Corporation of India, Act was passed by the Parliament on June 18, 1956 and came into effect from July 1, 1956. Life Insurance Corporation of India commenced its functioning as a corporate body from September 1, 1956. Its working is governed by the LIC Act. The LIC is a corporate having perpetual succession and a common seal with a power to acquire hold and dispose of property and can by its name sue and be sued.

**Important Provisions of Life Insurance Corporation Act, 1956**

- Constitution
- Capital
- Functions of the Corporation
- Transfer of Services
- Set-up of the Corporation
- Committee of the Corporation
- Authorities
- Finance, Accounts and Audit
- Miscellaneous

Life Insurance Corporation of India (LIC)

The LIC of India was set up under the LIC Act, 1956 under which the life insurance was nationalised. As a result, business of 243 insurance companies was taken over by LIC on 1-9- 1956.

It also works as an investment institution, as the funds of policy holders are invested and dispersed over different classes of securities, industries and regions, to safeguard their maximum interest on long term basis. LIC is required to invest not less than 75% of its funds in Central and State Government securities, the government guaranteed marketable securities and in the socially-oriented sectors.

At present, it is the largest institutional investor and provides long term finance to industries. Besides, it extends resource support to other term lending institutions by way of subscription to their shares and bonds and also by way of term loans. LIC has emerged as the world's largest insurance co. in terms of number of policies covered.

Objectives of LIC of India

The LIC was established with the following objectives:

- Spread life insurance widely and in particular to the rural areas, to the socially and economically backward areas with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- Maximisation of mobilisation of people's savings for nation building activities.
- Provide complete security and promote efficient services to the policy-holders at economic premium rates.

Regulatory Aspects in Insurance



Notes

- Conduct business with utmost economy and with the full realisation that the money belongs to the policy holders.
- Act as trustees of the insured public in their individual and collective capacities.
- Meet the various life insurance needs of the community that would arise in the changing social and economic environment
- Involve all people working in the corporation to the best of their capability in furthering the interest of the insured public by providing efficient service with courtesy.

Role and Functions of LIC

- It collects the savings of the people through life policies and invests the fund in a variety of investments.
- It invests the funds in profitable investments so as to get good return. Hence the policy holders get benefits in the form of lower rates of premium and increased bonus. In short, LIC is answerable to the policy holders.
- It subscribes to the shares of companies and corporations. It is a major shareholder in a large number of blue chip companies.
- It provides direct loans to industries at a lower rate of interest. It is giving loans to industrial enterprises to the extent of 12% of its total commitment.
- It provides refinancing activities through SFCs (*Securities and Futures Commission*) in different states and other industrial loan-giving institutions.
- It has provided indirect support to industry through subscriptions to shares and bonds of financial institutions such as IDBI, IFCI, ICICI, SFCs etc. at the time when they required initial capital. It also directly subscribed the shares of Agricultural Refinance Corporation and SBI.
- It gives loans to those projects which are important for national economic welfare. The socially oriented projects such as electrification, sewage and water channelizing are given priority by the LIC.
- It nominates directors on the boards of companies in which it makes its investments.
- It gives housing loans at reasonable rates of interest.
- It acts as a link between the saving and the investing process. It generates the savings of the small savers, middle income group and the rich through several schemes.

Formerly LIC has played a major role in the Indian capital market. To stabilise the capital market it has underwritten capital issues. But recently it has moved to other avenues of financing. Now it has become very selective in its underwriting pattern.

Objectives of LIC of India	Role and Functions of LIC
• Spread life insurance widely and in particular to the rural areas, to the socially and economically backward areas. • Conduct business with utmost economy and with the full realisation that the money belongs to the policy holders. • Act as trustees of the insured public in their individual and collective capacities • Meet the various life insurance needs of the community that would arise in the changing social and economic environment • Involve all people working in the corporation to the best of their capability in furthering the interest of the insured public by providing efficient service with courtesy.	• Invests the funds (premiums collected) in profitable investments • Provides direct loans to industries at a lower rate of interest. • It has provided indirect support to industry through subscriptions to shares and bonds of financial institutions such as IDBI, IFCI, ICICI, SFCs, etc. • It nominates directors on the boards of companies in which it makes its investments • It acts as a link between the saving and the investing process.



Notes

Figure 1.3: Objectives and Role and Functions of LIC



INTEXT QUESTIONS 1.1

1. When the Life Insurance Corporation was formed?
 - a) October 1956
 - b) September 1956
 - c) November 1972
 - d) September 1957

Module - 5

INSURANCE LEGISLATION IN INDIA

Regulatory Aspects in Insurance



Notes

2. When was General Insurance business nationalized?
 - a) January 1st, 1973
 - b) February 1st, 1956
 - c) March 1st, 1973
 - d) None of the above
3. How many members Life Insurance Council has?
 - a) 15
 - b) 24
 - c) 56
 - d) 20
4. How many members General Insurance Council has?
 - a) 15
 - b) 24
 - c) 30
 - d) 20
5. Which of the following is the objective of LIC?
 - a) Maximisation of mobilisation of people's savings for nation building activities.
 - b) Provide complete security and promote efficient service to the policy-holders at economic premium rates.
 - c) Conduct business with utmost economy and with the full realisation that the money belongs to the policy holders.
 - d) All of the above
6. Which of the following is a function of LIC?
 - a) It nominates directors on the boards of companies in which it makes its investments
 - b) It gives housing loans at reasonable rates of interest
 - c) It acts as a link between the saving and the investing process
 - d) All of the above

1.5 GENERAL INSURANCE CORPORATION OF INDIA (GIC)

The General Insurance Business Nationalization Act was passed in 1972. It was the nationalization of 107 insurance companies into one main company called General Insurance Corporation of India and its four subsidiary companies with exclusive privilege for transacting general insurance business. This act has been amended and the exclusive privilege ceased on from the commencement of the insurance regulatory and development authority act 1999. General Insurance Corporation has been working as a reinsurer in India. Their subsidiaries are working as a separate entity and plays significant role in the public sector of general insurance.

Objective of the GIC:

- To carry on the general insurance business other than life, such as accident, fire etc.
- To aid and achieve the subsidiaries to conduct the insurance business and
- To help the conduct of investment strategies of the subsidiaries in an efficient and productive manner.

Role and Functions of GIC

- Carrying on of any part of the general insurance, if it thinks it is desirable to do so.
- Aiding, assisting and advising the acquiring companies in the matter of setting up of standards of conduct and sound practice in general insurance business.
- Rendering efficient services to policy holders of general insurance.
- Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses.
- Advising the acquiring companies in the matter of investing their fund.
- Issuing directives to the acquiring companies in relation to the conduct of general insurance business.
- Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.



Notes

Module - 5

Regulatory Aspects in Insurance



Notes

INSURANCE LEGISLATION IN INDIA

Objectives of GIC

- To carry on the general insurance business
- To aid and achieve the subsidiaries to conduct the insurance business effectively
- To help the conduct of investment strategies of the subsidiaries in an efficient and productive manner.

Role and Functions of GIC

- Aiding, assisting and advising the companies to practice sound general insurance business.
- Rendering efficient services to policy holders
- Advising the acquiring companies in the matter of controlling their expenses
- Advising the acquiring companies in the matter of investing their fund.
- Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.

Figure 1.4: Objectives and Role and Functions of GIC

Classification of Indian General Insurance Industry

General Insurance is also known as Non-Life Insurance in India. At the end of March 2019, there are total 27 General Insurance (Non-Life) Companies in India (including two specialised insurance companies, viz. Export Credit Guarantee Corporation of India (ECGC) and Agriculture Insurance Company of India (AIC)). These 27 General Insurance companies have been classified into two broad categories namely:

1. PSUs (Public Sector Undertakings)
2. Private Insurance Companies

REGISTERED INSURERS IN INDIA

Type of Insurer	Public Sector	Private Sector	Total
Life	1	23	24
General	6	20	26
Standalone Health	0	5	5
Re-insurers (including Foreign Reinsurers Branches/ Lloyd's India)	1	11	12
Total	8	59	67

Table 1.1: Registered Insurers in India

Source: IRDAI Annual Report 2021-22



Notes

PSUs (Public Sector Undertakings)

These insurance companies are wholly owned by the Government of India (subsidiaries of GIC). At the end of March 2019, there were 4 PSUs and 21 private general insurance companies in India, namely:

Public Sector General Insurers	Private Sector General Insurers
1. National Insurance Co. Ltd.	1. Bajaj Allianz General Insurance Co.Ltd.
2. The New India Assurance Co. Ltd.	2. Bharti AXA General Insurance Co.Ltd.
3. The Oriental Insurance Co. Ltd.	3. Cholamandalam MS General Insurance Co.Ltd
4. United India Insurance Co. Ltd.	4. Future Generali India Insurance Co. Ltd.
	5. HDFC ERGO General Insurance Co. Ltd.
	6. ICICI Lombard General Insurance Co. Ltd.
	7. IFFCO Tokio General Insurance Co. Ltd.
	8. Liberty Videocon General Insurance Co. Ltd.
	9. Magma HDI General Insurance Co. Ltd.
	10. Raheja QBE General Insurance Co. Ltd.
	11. Reliance General Insurance Co. Ltd.
	12. Royal Sundaram General Insurance Co.Ltd.
	13. SBI General Insurance Co. Ltd.
	14. Shriram General Insurance Co. Ltd.
	15. TATAAIG General Insurance Co. Ltd.
	16. Universal Sompo General Insurance Co. Ltd.
	17. Kotak Mahindra General Insurance Co. Ltd.

Module - 5

Regulatory Aspects in Insurance



Notes

INSURANCE LEGISLATION IN INDIA

18. DHFL General Insurance Co. Ltd.
19. Acko General Insurance Co. Ltd.
20. Go Digit General Insurance Co. Ltd.
21. Edelweiss General Insurance Co. Ltd.

Table 1.2: List of General Insurers

SPECIALISED INSURERS

1. Agriculture Insurance Co. of India Ltd.
2. Export Credit Guarantee Corporation of India Ltd.

Source: IRDAI Annual Report 2018-19

1.6 INSURANCE ACT 1938

The insurance act originally passed in the year 1938; however, it amended several times. It was amended by the IRDA Act, 1999 when IRDA was established to become the authority to perform many tasks required to be done under the insurance act such as issuing licenses, issuing registration certificates, monitoring compliance, issuing directives, laying down norms, etc. All these functions were earlier performed by the controller of Insurance as per the Insurance Act, 1938. The provisions of the Act may be briefly described as follows.

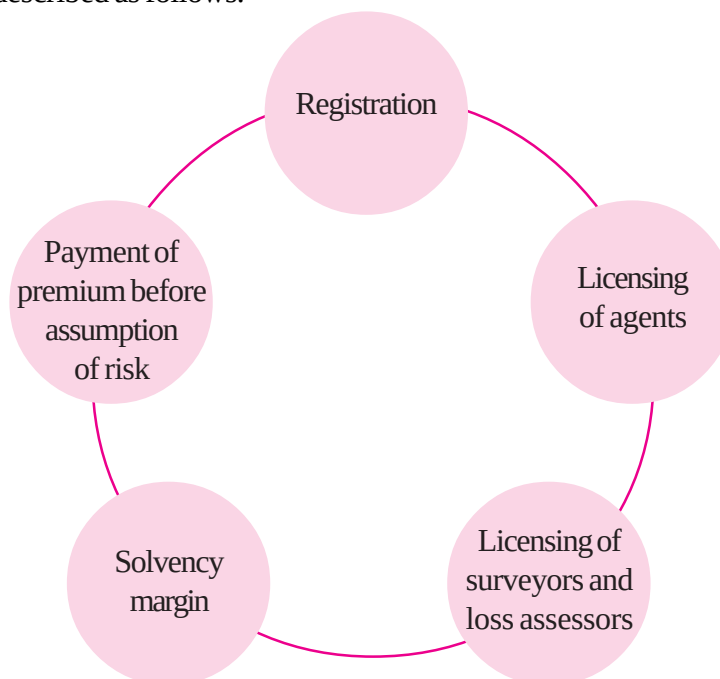


Figure 1.5: Important provisions of Insurance Act, 1938



Registration

To obtain the certificate of registration is compulsory to the every insurance company. The Registration should be renewed annually. Life Insurance and General Insurance companies must have a paid-up capital Rs. 100 crores whereas a reinsurer must have a paid-up capital of Rs. 200 crores. Every insurer has to deposit in cash or approved securities, a sum equivalent to 1 % in case of life insurance or 3% in case of general insurance of the total gross premium in-any financial year commencing after 31st March, 2000 with the Reserve Bank of India.

Every insurance company must keep the accounts separately of all receipts and payment in respect of each class of insurance business such as the marine or miscellaneous insurance. Insurers must invest his assets only in those investments which approved under the provisions of this Act.

Every insurance company has to do a minimum insurance business in the rural or social sector, as may be specified by the IRDA. The authority can investigate the affair of the insurer at any time.

Licensing of agents

License is the pre requirement for becoming the agent. Person can't work as an insurance agent unless he has obtained a license from the authority. There is some disqualification as per the act for a person to be an agent, as follows:

- Being of unsound mind.
- Being convicted of criminal misappropriation or criminal breach of trust or cheating or forgery or Abetment or Attempt to commit any such offence.
- Being found to have been guilty of or connived at any fraud, Dishonesty or misappropriation against any insured on insurer.

You will study in details about these disqualifications in the coming chapters.

Licensing of surveyors and loss assessors

No insurer can settle any claim equal to or exceeding Rs. 20,000/- without the report on the loss from a licensed surveyor. The person can act as a surveyor or loss assessor only after obtaining a license from the authority.

Solvency margin

The authority for the insurer also decides the solvency margin. The act clarifies how the assets and liabilities have to be determined and the extent to which the assets are to exceed the liabilities. These provisions exist to ensure the adequacy of insurer's solvency.

Regulatory Aspects in Insurance



Notes

Payment of premium before assumption of risk

A risk can be assumed by the insurance company after receiving the premium or a guarantee that the premium will be paid within the prescribe time. Sometimes agents collect the premium amount and dispatch or deposited to the insurance company. They have to deposit the money within 24 hours, except for the bank and postal holiday. The agent has to deposit the premium in full without deducting his commission. If any amount or premium which is due, the insurer directly shall pay the amount to the insured by a crossed or order cheque or by postal money order.



INTEXT QUESTIONS 1.2

1. Which is the function of GIC?
 - a) Carrying on of any part of the general insurance, if it thinks it is desirable to do so.
 - b) Aiding, assisting and advising the acquiring companies in the matter of setting up of standards of conduct and sound practice in general insurance business.
 - c) Rendering efficient services to policy holders of general insurance.
 - d) All of the above
2. Which of the following is not a subsidiary of GIC?
 - a) National Insurance Co. Ltd
 - b) Oriental Insurance Co. Ltd.
 - c) New India Assurance Ltd.
 - d) None of the above
3. What is the paid up capital for a life insurance or general insurance company?
 - a) 100 crores
 - b) 200 crores
 - c) 150 crores
 - d) 50 crores



4. What is the paid up capital for a re-insurance company?
 - a) 100 crores
 - b) 200 crores
 - c) 150 crores
 - d) 50 crores
5. No insurer can settle any claim equal to or exceeding Rs. _____ without the report on the loss from a licensed surveyor.
 - a) 30000
 - b) 40000
 - c) 10000
 - d) 20000



WHAT YOU HAVE LEARNT

The Life Insurance Corporation (“LIC”) was formed in September 1956 by the Life Insurance Corporation Act, 1956 (“LIC Act”) which granted LIC the exclusive privilege to conduct life insurance business in India. The general insurance business was also nationalized with effect from January 1, 1973, through the introduction of the General Insurance Business (Nationalisation) Act, 1972 (“GIC Act”). There are four subsidiary companies of GIC viz. the National Insurance Company Ltd. (“National Co.”), the New India Assurance Company Ltd. (“New India Co.”), the Oriental Insurance Company Ltd. (“Oriental Co.”), and the United India Assurance Company Ltd. (“United Co.”). Life Insurance and General Insurance companies must have a paid-up capital Rs. 100 crores whereas a reinsurer must have a paid-up capital of Rs. 200 crores.



TERMINAL QUESTIONS

1. Discuss in brief the development of insurance legislations in India.
2. Explain the role of insurance councils in India.
3. Describe Insurance Act, 1938 in brief.
4. Explain the role and functions of Life Insurance Corporation of India (LIC).
5. Explain the role and functions of General Insurance Corporation of India (GIC).

Module - 5

INSURANCE LEGISLATION IN INDIA

Regulatory Aspects in Insurance



Notes



ANSWERS TO INTEXT QUESTIONS

1.1

1. (b) September 1956
2. (a) January 1st, 1973
3. (b) 24
4. (c) 30
5. (d) All of the above
6. (d) All of the above

1.2

1. (d) All of the above
2. (c) New India Assurance Ltd.
3. (a) 100 crores
4. (b) 200 crores
5. (d) 20000



LEARNING OUTCOMES

After studying this chapter, you are able :

- To recall the development of the Insurance Legislation in India and the role of Insurance councils in India.
- To explain the role and functions of LIC and GIC, and importance of Insurance Act, 1938, GIC Act, 1972 and LIC Act, 1956.

**2**

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA AND REGULATORY ASPECTS OF INSURANCE AGENT (PART-I)

2.0 INTRODUCTION

There are large numbers of frauds which are happening today in the insurance industry. Large numbers of Insurers are there in the industry along with the intermediaries like insurance brokers, reinsurance brokers, insurance consultants, corporate agents, bancassurance agents, third party administrator, surveyors and loss assessors. A regulator is required who will control the functioning of these organizations through regulations and by defining the code of conduct of these organizations. For all type of Insurance, Insurance Regulatory and Development Authority of India (IRDAI) is the regulator in the Indian Insurance Market.

Insurance Regulatory and Development Authority of India (IRDAI) is an autonomous body set up under the IRDA Act, 1999 as per the recommendations of the Malhotra Committee. Insurance Regulatory and Development Authority of India is popularly known as IRDAI. IRDAI regulate the Indian insurance industry to protect the interests of the policyholders and work for the orderly growth of the industry. The headquarters of IRDAI is at Hyderabad, Andhra Pradesh. In this chapter you will learn about the composition, duties, power and functions of the IRDAI. You will also learn about the issues related with the appointment of Insurance Agent and Composite Insurance Agent by the Insurer.

Module - 5

Regulatory Aspects in Insurance



2.1 OBJECTIVES

After reading this lesson, you will be able to:

- Explain the important features of Insurance Regulatory and Development Authority Act, 1999
- Explain the composition, duties, power and functions of the IRDAI
- Describe the Licensing functions of IRDAI
- Discuss the Appointment of Insurance Agent and Composite Insurance Agent by the Insurer
- State the importance of Insurance Agency Examination
- Recognise the criteria for Disqualification to act as an Insurance Agent

2.2 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

IRDAI was constituted by Insurance Regulatory and Development Authority Act, 1999. The IRDA Act, 1999 was passed as per the major recommendation of the Malhotra Committee Report (1994) which recommended establishment of an independent regulatory authority for insurance sector in India, along with the presence of private sector companies and foreign promoters for the growth of the insurance sector in India. Following the recommendations, the IRDA was constituted as an autonomous body in 1999 and incorporated as a statutory body in April 2000. With the coming into force of the IRDA Act, 1999, the insurance industry was opened up to the private sector.

2.3 PURPOSE OF IRDA ACT, 1999

The purpose of the Act was 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.

2.4 MAJOR SECTIONS OF IRDA ACT, 1999

The major sections of the IRDA Act, 1999 are as follows:

1. Definitions

¹[(f) “Intermediary” or “Insurance Intermediary” includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors and such other entities, as maybe notified by the IRDAI from time to time.];

2. Establishment and Incorporation of IRDAI

The Insurance Regulatory and Development Authority of India (IRDAI) was established by this Act. IRDAI is a body corporate by the name of The Insurance Regulatory and Development Authority of India 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.

The current head office of the IRDAI is in Hyderabad, Telangana with other offices in other places in India.

3. Composition of IRDAI

Section 4 of the IRDA Act, 1999 defines the composition of the IRDAI. The IRDAI is a ten member body appointed by the Government of India consisting of:-

- (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 or any other discipline which would, in the opinion of the Central Government, be useful to the IRDAI:

¹Substituted by the Insurance Laws (Amendment) Act, 2015 w.r.e.f 26.12.2014. Prior to its substitution, clause (f) read as under:

(f) “intermediary or insurance intermediary” includes insurance brokers, reinsurance brokers, insurance consultants, surveyors and loss assessors;



Notes

Module - 5

Regulatory Aspects in Insurance



Notes

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.

4. Tenure of Office of Chairperson and Other Members

The Chairman tenure will be for 5 years and eligible for reappointment till he attains the age of 65 years.

The appointment of members will be for 5 years and eligible for reappointment but not exceeding the age 62 years.

5. Removal from Office

The Central Government can remove any member from office 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
- (e) Has so abused his position as to render his continuation in office detrimental to the public interest.

No such member shall be removed unless he has been given a reasonable opportunity of being heard in the matter.

6. Salary and Allowances of Chairperson and Members: The Chairperson and full time members shall receive the salary & allowance as prescribed by the Government.

7. Bar on Future Employment of Members: The Chairperson and the whole time members cannot accept any appointment without Govt. approval within 2 years from the date on which he/she ceases or retires from the office.

8. Administrative Powers of Chairperson: The Chairperson shall have the powers of general superintendence and direction in respect of all administrative matters of the IRDAI.

9. Meetings of Authority: The IRDAI shall meet at such times 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.

The Chairperson if for any reason is unable to attend a meeting, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting. All questions which come up before any meeting of the

IRDAI 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. The IRDAI may make regulations for the transaction of business at its meetings.

10. Duties, Powers and Functions of IRDAI Duties:

The IRDAI shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

Power and Functions of IRDAI:

The powers and functions of IRDAI 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 organizations connected with the insurance business;

Module - 5

Regulatory Aspects in Insurance



Notes

Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

- (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 organizations referred to in clause ;
- (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.

11. Constitution of Funds

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 IRDAI;
- (b) all sums received by the IRDAI from such other source as may be decided upon by the Central Government;

Purpose of Fund:

The Fund shall be applied for meeting -

- (a) The salaries, allowances and other remuneration of the members, officers and other employees of the IRDAI;
- (b) The other expenses of the IRDAI in connection with the discharge of its functions and for the purposes of this Act.



Notes

12. Furnishing of Returns, etc. to Central Government

- (1) The IRDAI 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 IRDAI 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.

13. Chairperson, Members, Officers and Other Employees of IRDAI to be Public Servants: The Chairperson, members, officers and other employees of IRDAI 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).

14. 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 IRDAI for anything which is in good faith done or intended to be done under this Act or the rules or regulations made there under:

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.

15. Delegation of Powers

- (1) The IRDAI may, by general or special order in writing, delegate to the Chairperson or any other member or officer of the IRDAI subject to such conditions, if any, as may be specified in the order such of its powers and functions under this Act as it may deem necessary.
- (2) The IRDAI 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 IRDAI as may be specified by the regulations.



16. 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 IRDAI under clause (q) of sub-section(2) of section 14;
 - (d) the form of annual statement of accounts to be maintained by the IRDAI under sub-section(1) of section 17;
 - (e) the form and the 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 IRDAI;
 - (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.

17. Establishment of Insurance Advisory Committee

- (1) The IRDAI 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, organizations engaged in safety and loss prevention, research bodies and employees' association in the insurance sector.
- (3) The Chairperson and the members of the IRDAI 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 IRDAI on matters relating to the making of the regulation.
- (5) The Insurance Advisory Committee may advise the IRDAI on such other matters as may be prescribed.

Miscellaneous Provisions:

- The Central Government can issue the direction to the IRDAI on policy matters not on administrative and technical matters and the IRDAI is bound to follow such direction.
- The Central Government can supersede any act of the IRDAI.
- The IRDAI can delegate its powers to Chairperson or members or officers and employees of the IRDAI as per regulation made under this act.
- The IRDAI has power to make regulations to be followed at its meetings
- The rule & regulation made by the IRDAI shall be placed before the Parliament.
- Any rule or regulations made under this act will bar the applicability of other laws of the land.
- The Life Insurance Act, 1938; The Life Insurance Corporation Act, 1956; and The General Insurance Business (Nationalization) Act, 1972 shall be amended in the manner specified in the First, Second and Third schedule to this Act.



INTEXT QUESTIONS 2.1

1. Insurance Regulatory and Development Authority of India was constituted by _____
 - a) The Insurance Act 1938
 - b) IRDA Act, 1999
 - c) The Insurance Laws (Amendment) Act, 2015
 - d) None of the above
2. The IRDA Act, 1999 was passed as per the major recommendation of the report of _____
 - a) Tendulkar Committee
 - b) Malhotra Committee

Module - 5

Regulatory Aspects in Insurance



Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

- c) Gupta Committee
 - d) Rajan Committee
3. Which of the following is the aim of establishment of IRDAI?
- a) To protect the interests of holders of insurance policies,
 - b) To regulate, promote and ensure orderly growth of the insurance industry
 - c) To amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972
 - d) All of the above
4. _____ includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors
- a) “Intermediary” or “insurance intermediary”
 - b) “Interim Insurance Regulatory Authority”
 - c) “Insurance Advisory Committee”
 - d) None of the above
5. The headquarters of IRDAI is at _____
- a) Mumbai
 - b) Calcutta
 - c) Hyderabad, Andhra Pradesh
 - d) Delhi
6. How many members are there in the composition of IRDAI?
- a) 12
 - b) 10
 - c) 8
 - d) 6



7. The members of IRDAI are appointed by_____
- a) The Public Sector Insurers
 - b) Both Public and Private Sector Insurers
 - c) The Government of India
 - d) All of the above
8. How many whole-time members are there in the composition of IRDAI?
- a) Not more than six
 - b) Not more than five
 - c) Not more than four
 - d) Not more than three
9. How many part-time members are there in the composition of IRDAI?
- a) Not more than six
 - b) Not more than five
 - c) Not more than four
 - d) Not more than three
10. Which of the following is not the power and function of the IRDAI?
- a) Issue to the applicant a certificate of registration
 - b) Specifying requisite qualifications, code of conduct and practical training for intermediaries
 - c) Regulating investment of funds by insurance companies
 - d) None of the above
11. The Insurance Regulatory and Development Authority Fund shall be applied for meeting_____
- a) The salaries, allowances and other remuneration of the members, officers and other employees of the IRDAI;
 - b) The expenses of the IRDAI in connection with the discharge of its functions
 - c) Both of the above
 - d) None of the above

Module - 5

Regulatory Aspects in Insurance



Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

12. The main objective of the Insurance Advisory Committee is_____
- a) To advise the IRDAI on matters relating to the making of the regulation.
 - b) To monitor the functioning of private insurers
 - c) To control the frauds by intermediaries
 - d) To issue a certificate of registration to the insurers

2.5 IRDAI AND ITS LICENSING FUNCTIONS

IRDAI has played a very important role in the growth and development of the sector by protecting policyholders' interests; registering and regulating insurance companies; licensing and establishing norms for insurance intermediaries, regulating and overseeing premium rates and terms of non-life insurance covers; specifying financial reporting norms, regulating investment of policyholders' funds and ensuring the maintenance of solvency margin by insurance companies; ensuring insurance coverage in rural areas and of vulnerable sections of society; promoting professional organizations connected with insurance and all other allied and development functions.

Every insurer seeking to carry out Insurance business in India is required to obtain a certificate of registration from IRDAI prior to commencement of business.

Other insurance intermediaries like insurance brokers, reinsurance brokers, insurance consultants, corporate agents, bancassurance agents, third party administrator, surveyors and loss assessors also need to take the license from IRDAI prior to commencement of business. IRDAI is issuing regulations on regular intervals specifying the procedure for registration and licensing along with the code of conduct to be followed by these intermediaries.

2.6 REGULATORY ASPECTS OF INSURANCE AGENT

Appointment of Insurance Agent regulations came into force with effect from 1st April 2016. These Regulations are called Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016.

The following definitions are relevant.

1. **Act** means the Insurance Act, 1938 (4 of 1938) as amended from time to time.
2. **Appointment Letter** means a letter of appointment issued by an insurer to any person to act as an insurance agent.



3. **Appellate Officer** means an officer authorized by the Insurer to consider and dispose representations and appeals received from an Insurance Agent.
4. **Insurance Agent** means an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.
5. **Authority** means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).
6. **Composite Insurance Agent** means an individual who is appointed as an insurance agent by two or more insurers subject to the condition that he/she shall not act as insurance agent for more than one life insurer, one general insurer, one health insurer and one each of the mono-line insurers.
7. **Centralized List of Agents** means a list of agents maintained by the IRDAI, which contains all details of agents appointed by all insurers.
8. **Centralized List of Black Listed Agents** means list of agents maintained by the IRDAI whose appointment is cancelled/suspended by a designated official of insurer on grounds of violation of code of conduct and / or fraud.
9. **Designated Official** means an officer authorized by the Insurer to make Appointment of an individual as an Insurance Agent.
10. **Examination Body** means an Institution, which conducts pre-recruitment tests for insurance agents and which is duly recognized by the IRDAI.
11. **Mono-Line Insurer** for the purpose of these Regulations means insurer as defined under section 2 (9) of Insurance Act, 1938 and carrying on one particular specialized line of business such as agriculture insurance, export credit guarantee business.
12. **Multilevel Marketing Scheme** means any scheme as defined in explanation to Section 42A of the Act.

2.7 APPOINTMENT OF INSURANCE AGENT BY THE INSURER:

1. An applicant seeking appointment as an insurance agent of an Insurer shall submit an application in Form I-A to the Designated Official of the Insurer.
2. The Designated Official of the insurer, on receipt of the application, shall satisfy himself that the applicant:-

Module - 5

Regulatory Aspects in Insurance



Notes

Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

- a) Has furnished the Agency Application in Form I-A complete in all respects;
- b) Has submitted the PAN details along with the Agency Application Form;
- c) Has passed the insurance examination;
- d) Does not suffer from any of the disqualifications;
- e) Has the requisite knowledge to solicit and procure insurance business; and capable of providing the necessary service to the policy holders;

The IRDAI may exempt one or more of the above conditions for such applicants who are to be appointed to distribute only particular type insurance product (s) having fixed premium and/or benefits such as Motor Third Party Insurance.

- 3. The Designated Official shall exercise due diligence in verifying the agency application and ascertaining that the applicant does not hold agency appointment for more than one life insurer, one general insurer, one health insurer and one each of the mono-line insurers and is not in decentralized list of black listed agents.
- 4. The Designated Official shall also verify
 - a) The centralized list of agents maintained by the IRDAI with the PAN Number of the applicant to ascertain the information as stated above.
 - b) The centralized list of black listed agents maintained by the IRDAI to ascertain that the applicant is not black listed.
- 5. The Designated Official on satisfying himself that the applicant has complied with all the conditions mentioned above, and also does not suffer from any of the disqualifications may process the agency application and grant appointment to the applicant as an insurance agent by issuing an appointment letter within 15 days of receipt of all documents from the applicant. The Designated Official shall allot an agency code number to the appointed agent and the agency code number shall be prefixed by the abbreviation of the insurer's name.

The Designated Official may refuse or reject, for reasons being recorded, an application if he/she feels that the grant of appointment may be against public interest.

- 6. The agency appointment letter issued as mentioned above shall lay down the terms of appointment covering all conditions governing appointment and functioning of the applicant as insurance agent and the code of conduct. The



Notes

- letter of appointment shall be dispatched not later than 7 days after the appointment of the agent.
7. The applicant so appointed as an insurance agent shall be provided an identity card, by the insurer which shall identify the agent with the insurer whom he/she is representing as an agent.
 8. The Designated Official shall enter and update the Agency Data of the applicant appointed as an Insurance agent in the Agency Portal maintained by the IRDAI through online mode immediately after the appointment of the agent. The online updating of Agency database records by the insurer is to maintain the updated centralized list of agents maintained by the IRDAI. The Designated Official shall be responsible to ensure that the centralized list of agents is up to date and accurate.
 9. The Designated Official may refuse to grant agency appointment to any applicant if the applicant does not fulfill any of the conditions mentioned in these Regulations. The Designated Official shall communicate the reasons for refusal for appointment as agent to the applicant in writing, within 21 days of receipt of the application.
 10. An applicant who is aggrieved by the decision of the Designated Official refusing to grant the agency appointment may submit a review application to the appellate officer designated by the insurer for review of the decision. The insurer shall designate an Appellate Officer to consider their view application of the applicant. The Appellate Officer shall consider the application and communicate the final decision in writing within 15 days of receipt of the review application.

2.8 APPOINTMENT OF COMPOSITE INSURANCE AGENT BY THE INSURER

1. An applicant seeking appointment as a 'Composite Insurance Agent' shall make an application to the Designated Official of respective life, general, health insurer or mono-line insurer as the case may be, in the 'Composite Agency Application Form I-B. The Designated Official of the respective insurers shall deal with the application in the manner and procedure outlined above.

2.8.1 Insurance Agency Examination

1. An applicant shall pass in the Insurance Agency Examination conducted by the Examination Body in the subjects of Life, General, or Health Insurance as the case may be, as per the syllabus prescribed by the IRDAI to be eligible for

Module - 5

Regulatory Aspects in Insurance



Notes

Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

appointment as an insurance agent. The insurer shall provide the necessary assistance and guidance to the candidates to equip them with adequate insurance knowledge required to qualify in the agency examination.

2. The applicant who has successfully passed the Insurance Agency Examination as mentioned above shall be issued a pass certificate by the Examination Body. The pass certificate issued by the Examining Body shall be in force for a period of twelve months, for the purpose of seeking appointment as an agent with any insurer for the first time.
3. Only candidates who have qualified in the Insurance Agency Examination as mentioned above and who hold a valid pass certificate issued by the Examination Body shall be eligible to be considered for appointment as agents.

2.8.2 Disqualification to act as an Insurance Agent

The conditions for disqualification shall be as stipulated under Section 42 (3) of the Insurance Act, 1938 (4 of 1938) which are as follows:

- a) if a person is a minor;
- b) if he is found to be of unsound mind by a Court of competent jurisdiction;
- c) if 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 them sentence imposed on any person in respect of any such offence, the IRDAI shall ordinarily declare in respect of such person that his conviction shall cease to operate as a disqualification under this clause;

- d) if 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 all insurer it has then found that he has been guilty off or has knowingly participated in or connived at any fraud, dishonestly for misrepresentation against an insurer or an insured.
- e) if in the case of an individual, 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 IRDAI in this behalf;
- f) if in the case of a company or firm making an application, a director or a partner or one or more of its officers or other employees so designated by it and in the



case of any other person, the chief executive, by whatever name called, or one or more of his employees designated by him, do not possess the requisite qualifications and practical training and have not passed such an examination as required.

- g) if he violates the code of conduct as may be specified by the regulations made by the IRDAI.



INTEXT QUESTIONS 2.2

1. _____ means an individual who is appointed as an insurance agent by two or more insurers
 - a) Composite Insurance Agent
 - b) Mono-line Insurer
 - c) Insurance Agent
 - d) Appellate Officer
2. _____ is an insurer carrying on one particular specialized line of business such as agriculture insurance, export credit guarantee business.
 - a) Composite Insurance Agent
 - b) Mono-line Insurer
 - c) Insurance Agent
 - d) Appellate Officer
3. Which of the following are true with respect to the application of appointment for an Insurance Agent?
 - a) Applicant has to furnish the Agency Application in Form I-A complete in all respects;
 - b) Applicant has to submit the PAN details along with the Agency Application Form;
 - c) Applicant has to pass the insurance examination;
 - d) All of the above

Module - 5

Regulatory Aspects in Insurance



Notes

Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)

4. Which of the following is not the condition for disqualifications to act as an insurance agent?
- a) if a person is a minor;
 - b) if he has been found guilty of criminal misappropriation or criminal breach of trust or cheating
 - c) if he violates the code of conduct specified by IRDAI
 - d) None of the above



WHAT YOU HAVE LEARNT

Insurance Regulatory and Development Authority of India (IRDAI) is an autonomous body set up under the IRDA Act, 1999 as per the recommendations of the Malhotra Committee. The aim of IRDAI is 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. “Intermediary” or “insurance intermediary” are organizations that help insurers in their business and includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors. There are 10 members in the composition of IRDAI which are appointed by the Government of India. It includes a Chairperson; not more than five whole-time members; and not more than four part-time members. The Chairman is appointed for a period of 5 years and eligible for reappointment till he attains the age of 65 years. The part time members are appointed for a period of 5 years and eligible for reappointment but not exceeding the age 62 years. IRDA Act, 1999 has also defined Duties, powers and functions of IRDAI. The objective of the Insurance Advisory Committee is to advise the IRDAI on matters relating to the making of the regulation. There is a pre-defined procedure for the appointment of Insurance Agent by the Insurer. There are certain conditions which would result in the disqualification to act as an Insurance Agent.



TERMINAL QUESTIONS

1. What do you understand by “Intermediary” or “insurance intermediary”?
2. Explain the composition of Insurance Regulatory Development Authority of India (IRDAI). Also elaborate the tenure of its members.
3. Write a detailed note on the Duties, Powers and Functions of Insurance Regulatory Development Authority of India (IRDAI).



4. Write a note on IRDAI and its Licensing Functions.
5. Explain the procedure of Appointment of Insurance Agent by the Insurer.
6. What are the condition for disqualifications to act as an insurance agent?



ANSWERS TO INTEXT QUESTIONS

2.1

1. (b) IRDA Act, 1999
2. (b) Malhotra Committee
3. (d) All of the above
4. (a) “Intermediary” or “insurance intermediary”
5. (c) Hyderabad, Andhra Pradesh
6. (b) 10
7. (c) The Government of India
8. (b) not more than five
9. (c) not more than four
10. (d) None of the above
11. (c) Both of the above
12. (a) To advise the IRDAI on matters relating to the making of the regulation.

2.2

1. (a) Composite Insurance Agent
2. (b) Mono-line Insurer
3. (d) All of the above
4. (d) None of the above

Module - 5

Regulatory Aspects in Insurance



Notes

Insurance Regulatory and Development Authority of India and Regulatory Aspects of Insurance Agent (Part-I)



LEARNING OUTCOMES

After studying this chapter, you are able :

- To explain the composition, duties, power and functions of the IRDAI and the procedure of appointment of Insurance and Composite Insurance Agent by the Insurer; and criteria which can lead to Disqualification to act as an Insurance Agent

**3**

REGULATORY ASPECTS OF INSURANCE AGENT (PART- II)

3.0 INTRODUCTION

A code of conduct is a set of rules, principles, values, standards, practices or behavior of an individual or an organization. Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016 defines the code of conduct for the insurance agents. It also highlights the conditions for suspension of appointment of an agent; procedure for cancellation of agency; effect of suspension/cancellation of agency appointment; procedure to be followed in respect of resignation/surrender of appointment by an insurance agent and general conditions for appointment of agents by the insurer which will be the topics of discussion in this chapter.



3.1 OBJECTIVES

After reading this lesson, you will be able to:

- State the Code of Conduct for insurance agents
- Recognise the conditions for the Suspension of Appointment of an Agent
- State the Procedure for Cancellation of Agency
- Explain the Effect of suspension/cancellation of Agency appointment
- Discuss the Procedure to be followed in respect of resignation/surrender of appointment by an insurance agent
- Define the General conditions for appointment of Agents by the insurer

3.2 CODE OF CONDUCT

Regulation 8 of 'Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016' defines the code of conduct for the Insurance Agents.

1. Every insurance agent shall follow the following code of conduct: -

Every insurance agent shall:

- i) identify himself and the insurer of whom he is an insurance agent;
- ii) Show the agency identity card to the prospect/client, and also disclose the agency appointment letter to the prospect/client on demand;
- iii) provide the necessary information about the insurance products and suggest the products as per the need of the client;
- iv) where the Insurance agent represents more than one insurer offering same line of products, he should dispassionately advice the policyholder on the products of all Insurers whom he is representing and the product best suited to the specific needs of the prospect;
- v) Disclose the scales of commission in respect of the insurance product offered for sale, if asked by the prospect;
- vi) indicate the premium to be charged by the insurer for the insurance product offered for sale;
- vii) explain to the prospect the nature of information required in the proposal form by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract;
- viii) bring to the notice of the insurer every fact about the prospect relevant to insurance underwriting, including any adverse habits or income inconsistency of the prospect, within the knowledge of the agent, in the form of a report called "Insurance Agent's Confidential Report" along with every proposal submitted to the insurer wherever applicable, and any material fact that may adversely affect the underwriting decision of the insurer as regards acceptance of the proposal, by making all reasonable enquiries about the prospect;
- ix) obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;

Notes



- x) advise every prospect to effect nomination under the policy
 - xi) inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;
 - xii) render necessary assistance and advice to every policyholder introduced through him/her on all policy servicing matters including assignment of policy, change of address or exercise of options under the policy or any other policy service, wherever necessary;
 - xiii) render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;
2. No insurance agent shall:
- a) Solicit or procure insurance business without being appointed to act as such by the insurer
 - b) Encourage the prospect or a client to omit any material information in the proposal form;
 - c) Encourage the prospect/client to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
 - d) Participate in any multilevel marketing for selling insurance policies and/or welcome any prospect/policyholder into a multilevel level marketing scheme.
 - e) Behave in a disrespectful manner with the prospect;
 - f) Interfere with any insurance proposal introduced by any other insurance agent;
 - g) Offer different rates, advantages, terms and conditions other than those offered by his insurer;
 - h) Demand or receive a share of proceeds from the beneficiary under an insurance contract;
 - i) Force a policyholder to terminate the existing policy and buy a new policy from him within three years from the date of such termination of the earlier policy;
 - j) Apply for fresh agency appointment to act as an insurance agent, if his agency appointment was earlier cancelled by the designated official, and a period of five years has not passed from the date of such cancellation;
 - k) Become or remain a director of any insurer;

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY ASPECTS OF INSURANCE AGENT (PART- II)

3. Every insurance agent shall put every effort to get the premium of already issued policies in the past by giving notice to the policyholder orally and in writing;
4. Any person who acts as an insurance agent without a license of insurance agent shall be liable to a penalty which may extend to ten thousand rupees and any insurer or any person acting on behalf of an insurer appoints any person as an insurance agent who is not permitted to act as an agent, then Insurer is liable to pay a penalty which may extend to one crore rupees.
5. The insurer shall be responsible for all acts and omissions of its agents including violation of code of conduct specified above, and shall be liable to a penalty which may extend to one crore rupees.



INTEXT QUESTIONS 3.1

1. Which of the following statement is not a part of the Code of conduct for Insurance Agents?
 - a) Every insurance agent shall identify himself and the insurer of whom he is an insurance agent
 - b) Every insurance agent shall disclose the scales of commission on insurance products, if asked by the prospect
 - c) Every insurance agent shall demand or receive a share of proceeds from the beneficiary
 - d) Every insurance agent shall indicate the premium to be charged by the insurer for the insurance product offered for sale;
2. No insurance agent shall
 - a) Solicit or procure insurance business without being appointed to act as such by the insurer
 - b) Induce the prospect to submit wrong information in the proposal form
 - c) Interfere with any proposal introduced by any other insurance agent
 - d) All of the above

3.3 SUSPENSION OF APPOINTMENT OF AN AGENT

Regulation 10 of 'Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016' defines the reasons for the Suspension of Appointment of an Agent.



1. The appointment of an agent may be cancelled or suspended after due notice and after giving him/her a reasonable opportunity of being heard if he/she: -
 - a) Violates the provisions of the Insurance Act, 1938 (4 of 1938), Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or rules or regulations, made there under as amended from time to time;
 - b) Attracts any of the disqualifications mentioned in the previous chapter.
 - c) Fails to obey with the code of conduct mentioned above and directions issued by the IRDAI from time to time.
 - d) Violates terms of appointment.
 - e) Fails to provide any information relating to his/her activities as an agent as required by the Insurer or the IRDAI;
 - f) Fails to comply with the directions issued by the IRDAI;
 - g) Furnishes wrong or false information; or hides or fails to disclose material facts in the application submitted for appointment of Insurance Agent or during the period of its validity.
 - h) Does not submit periodical returns as required by the Insurer/IRDAI;
 - i) Does not co-operate with any inspection or enquiry conducted by the IRDAI;
 - j) Fails to resolve the complaints of the policyholders or fails to give a satisfactory reply to the IRDAI in this behalf;
 - k) Either directly or indirectly involves in misuse of the premiums / cash collected from policyholders/prospects on behalf of insurer. However, this proviso does not permit an agent to collect cash/premium without specific authorization by the insurer.

3.4 PROCEDURE FOR CANCELLATION OF AGENCY

On the issue of the final order for cancellation of agency of the insurance agent, he/she shall cease to act as an insurance agent from the date of the final order. The order of suspension/cancellation of appointment of the Insurance Agent shall be displayed on website of the Insurer and updated in centralized list of agents maintained by the IRDAI, so that registration of new business by the suspended/cancelled agent is stopped immediately by the insurers.



Notes

3.5 EFFECT OF SUSPENSION/CANCELLATION OF AGENCY APPOINTMENT

1. On and from the date of suspension or cancellation of the agency, the insurance Agent, shall cease to act as an insurance agent.
 - a) The insurer shall recover the appointment letter and Identity card from the agent whose appointment has been cancelled under these Regulations within 7 days of issuance of final order effecting cancellation of appointment.
 - b) The insurer shall black list the agent and enter the details of the agent whose appointment is suspended/cancelled into the black listed agents' database maintained by the IRDAI and the centralised list of agents' database maintained by the IRDAI, in online mode, immediately after issuance of the order effecting suspension/ cancellation.
 - c) In case a suspension is revoked in respect of any agent on conclusion of disciplinary action by way of issuance of a speaking order by Designated Official, the details of such agent shall be removed from list of black listed Agents as soon as the Speaking Order revoking his/her suspension is issued.
 - d) The insurer shall also inform other insurers, Life or General or Health Insurer or Mono-line Insurer with whom he/she is acting as an agent, of the action taken against the Insurance Agent for their records and necessary action.

Appeal Provision: An agent who is aggrieved by the order of cancellation can appeal to the insurer within 3 months from the date of receipt of the order. The insurer shall appoint an Appellate Officer who shall examine the appeal and give his decision in the matter in writing within 30 days of the receipt of the appeal.

3.6 PROCEDURE TO BE FOLLOWED IN RESPECT OF RESIGNATION/SURRENDER OF APPOINTMENT BY AN INSURANCE AGENT

1. In case an insurance agent appointed by an insurer wishes to surrender his agency with his/her insurer, he/she shall surrender his appointment letter and identity card to the designated official of the insurer with whom he/she is currently holding agency.
2. The Insurer shall issue the cessation certificate as detailed in Form I-C within a period of 15 days from the date of resignation or surrender of appointment.



3. An Insurance Agent who has surrendered his appointment may seek fresh appointment with other insurer. In such a case, the agent has to furnish to the new insurer all the details of his/her previous agency and produce Cessation Certificate issued by the previous insurer issued in Form I-C, along with his agency application form.
4. The insurer will consider the agency application as outlined in Regulation 4 after a period of 90 days from the date of the issue of the cessation certificate by the previous insurer.

3.7 GENERAL CONDITIONS FOR APPOINTMENT OF AGENTS BY THE INSURER

1. The Insurer shall frame a 'Board Approved Policy' covering Agency Matters and file the same with the IRDAI before 31st March every year. The guidelines for the 'Board Approved Policy' to be framed by the Insurer are mentioned in detail in the Annexure - I of the Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016 which can be download from the website of IRDAI
2. No individual shall act as an insurance agent for more than one life insurer, one general insurer, one health insurer and one each of mono-line insurers
3. Any individual, who acts as an insurance agent in breach of the provisions of this Act, shall be liable to a penalty which may extend to ten thousand rupees.
4. Any insurer or any representative of the insurer acting on behalf of the insurer, who appoints an individual as an insurance agent not permitted to act as such or transact any insurance business in India shall be liable to penalty which may extend to one crore rupees.
5. No insurer shall, on or after the commencement of the Insurance Laws (Amendment) Act, 2015 appoint any Principal Agent, Chief Agent, and Special Agent and transact any insurance business in India through them.
6. No person shall allow or offer to allow, either directly or indirectly or as an incentive, to any person to take out or renew or continue an insurance policy through multilevel marketing scheme.
7. The Authority may through an officer authorized in this behalf, make a complaint to the appropriate police authorities relating to the entity or persons involved in the Multi-Level Marketing schemes.

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY ASPECTS OF INSURANCE AGENT (PART- II)

8. Every insurer and every Designated Official who is acting on behalf of an insurer in appointing insurance agents shall maintain a register showing the name and address of every insurance agent appointed by him and the date on which his appointment began and the date, if any, on which his appointment ceased.
9. The records as mentioned above shall be maintained by the insurer as long as the insurance agent is in service and for a period of five years from the termination of the appointment.



INTEXT QUESTIONS 3.2

1. The appointment of an agent may be cancelled or suspended if an agent:
 - a) Fails to comply with the code of conduct and directions issued by IRDAI
 - b) Does not submit periodical returns as required by the Insurer/IRDAI
 - c) Fails to resolve the complaints of the policyholders or fails to give a satisfactory reply to the IRDAI in this behalf
 - d) All of the above
2. The order of suspension/cancellation of appointment of the Insurance Agent:
 - a) Shall be displayed on website of the Insurer
 - b) Shall updated in the centralized list of cancelled/blacklisted agents maintained by the IRDAI
 - c) Both of above
 - d) None of above
3. Which of the following will not be the effect of suspension/cancellation of agency appointment?
 - a) The insurer shall recover the appointment letter and Identity card from the agent
 - b) The insurer shall black list the agent and get the details updated into the black listed agents' database maintained by the IRDAI
 - c) An Agent shall solicit or procure insurance business without a license
 - d) The insurer shall also inform other insurers with whom he/she is acting as an agent



4. An agent who is aggrieved by the order of cancellation can appeal to the insurer within _____ from the date of receipt of the order.
- a) 1 month
 - b) 2 month
 - c) 3 months
 - d) 6 months



WHAT YOU HAVE LEARNT

A code of conduct is a set of Principles, values, standards, or rules of behavior of an individual which outlines the norms, rules and responsibilities of, and or proper practices for, an individual in any profession. Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016 defines the code of conduct for the Insurance Agents which every agent shall adhere to. The code of Conduct defines the do's and don'ts of his behavior while dealing with different stakeholders or while procuring business. Any misconduct by the agent may lead to the Suspension of Appointment of an Agent which is defined in the Regulation 10 of Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016. There are effects of suspension/cancellation of agency appointment for an insurance agent where he/she ceases to act as an insurance agent. His/her appointment letter and Identity card would be recovered by the Insurer and details will be uploaded in the centralized list of blacklisted agents maintained by the IRDAI.



TERMINAL QUESTIONS

1. Write a note on the Code of Conduct for Agents
2. What are the don'ts as specified by the code of conduct for insurance agents?
3. What are the reasons which may result in the Suspension of Appointment of an Agent?
4. What would be the effect of suspension/cancellation of agency appointment?
5. Explain the procedure to be followed in respect of resignation/surrender of appointment by an Insurance agent.
6. What are the general conditions for appointment of agents by the Insurers?

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY ASPECTS OF INSURANCE AGENT (PART- II)



ANSWERS TO INTEXT QUESTIONS

3.1

1. (c) Every insurance agent shall demand or receive a share of proceeds from the beneficiary
2. (d) All of the above

3.2

1. (d) All of the above
2. (b) shall updated in the centralised list of cancelled/blacklisted agents maintained by the IRDAI
3. (c) An Agent shall solicit or procure insurance business without a license
4. (c) 3 months



LEARNING OUTCOMES

After studying this chapter, you are able :

- To explain the do's and don'ts for insurance agents as mentioned in the code of conduct
- To deal with the procedures related with suspension of appointment, cancellation of agency, resignation/surrender of appointment, etc.

**4**

REGULATORY FRAMEWORK OF INSURANCE SECTOR

4.0 INTRODUCTION

Consider a situation where a truck driver hits a person crossing the road or any pedestrian on road without his fault, so in this case the owner of the vehicle becomes liable to pay for the compensation to the nominee of the deceased. But the vehicle owner might not be financially strong to pay for the compensation, therefore to solve such issues motor vehicle act was enforced which makes it compulsory for all the vehicles to get insured so that the affected person or family gets compensation from the insurer. Similarly, the owner of any industry may have to pay compensation to its employees if they meet an accident or gets injured during operations in the industry, so certain laws are enforced to save owners of the industry from paying such huge amount of losses.

This chapter will help you understand acts and regulations related with similar instances where Public Liability act; Workmen Compensation Act; and Motor Vehicle Act will be applied. You will also learn about Regulations issued by IRDAI for Third Party Administrators.



4.1 OBJECTIVES

After reading this lesson, you will be able to:

- Describe the important features of Public Liability Insurance Act, 1991
- Explain the important features of Employee's Compensation Act, 1923
- Recall the important features of Motor Vehicle Act 1988
- Explain the regulations for Third Party Administrators (TPA)



Notes

4.2 PUBLIC LIABILITY INSURANCE ACT, 1991

There are many organisations where workers are handling hazardous substances and likely to fall victims of accidents. While workers and employees of hazardous installations were protected under separate laws, but the public was not assured of any relief except through long legal processes. Industrial units seldom have the willingness to readily compensate the victims of accidents & the only remedy available for the victims was to go through prolonged litigation in the court of law. It is, therefore, essential to provide for Mandatory Public Liability Insurance for installations handling hazardous substances to provide minimum relief to the victims.

Such Insurance, apart from safe guarding the interests of the victims of accidents would also provide cover & enable the industry to discharge its liability to settle large claims arising out of major accidents. Public Liability Insurance Act, 1991 was enacted to provide for public liability- insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto.

Public Liability Insurance Act, 1991

Purpose

Enacted to provide for public liability- insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected there with or incidental there to.

The claimant shall not be required to plead and establish that the death, injury or damage in respect of which the claim has been made was due to any wrongful act, neglect or default of any person.

The Act gives relief on the principle of No Fault

Important Features

- Reimbursement of medical expenses upto Rs. 12,500
- Rs. 25,000 + reimbursement of medical expenses upto Rs. 12,500 in case of death
- Fixed monthly relief of upto Rs. 1,000/- per month for maximum 3 months if hospitalised for more than 3 days and age is above 16
- Upto Rs. 6,000 for any damage to private property.

Figure 4.1: Important features of Public Liability Insurance Act 1991

The Act gives relief on the principle of “No Fault”. This means that if the death or injury to any person (other than a workman) or damage to any property has resulted from an accident, the owner shall be liable to give relief for such death, injury or damage. The



Notes

claimant shall not be required to plead and establish that the death, injury or damage in respect of which the claim has been made was due to any wrongful act, neglect or default of any person.

- (i) Reimbursement of medical expenses incurred upto a maximum of Rs. 12,500 in each case.
- (ii) For fatal accidents (an accident that causes someone to die) the relief will be Rs. 25,000 per person in addition to reimbursement of medical expenses, if any incurred on the victim up to a maximum of Rs. 12,500.
- (iii) For permanent total or permanent partial disability or other injury or sickness, the relief will be
 - (a) reimbursement of medical expenses incurred, if any, upto a maximum of Rs. 12,500/- in each case and
 - (b) cash relief on the basis of percentage of disablement as certified by an authorised physician. The relief for total permanent disability will be Rs. 25,000.
- (iv) For loss of wages due to temporary partial disability, which reduces the earning capacity of the victim, there will be a fixed monthly relief not exceeding Rs. 1,000/- per month up to a maximum of 3 months provided the victim has been hospitalised for a period exceeding 3 days and is above 16 years of age.
- (v) Upto Rs. 6,000 depending on the actual damage, for any damage to private property.

It is the duty of the owner to take out insurance policies, before he starts handling any hazardous substance, whereby he is insured against liability to give above mentioned relief.

4.3 THE EMPLOYEE S COMPENSATION ACT 1923

Before 2010, Employee's Compensation Act, 1923 was known as Workmen's Compensation Act. The object of this Act was to make provision for the payment of compensation to a workman only i.e. to the concerned employee himself in case of his surviving the injury in question and to his dependents in the case of death. The growing complexity of industry in the country with the increasing use of machinery & consequent danger to workmen, along with the comparative poverty of the workmen themselves renders it advisable that they should be protected from hardship out of accidents. A legislation of this kind helps to reduce the number of accidents in a manner that cannot

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY FRAMEWORK OF INSURANCE SECTOR

be achieved by official inspection and to mitigate the effect of accidents by provision for suitable medical treatment, thereby making industry more attractive to labour & increasing its efficiency. The Act provides for cheaper & quicker disposal of disputes relating to compensation through tribunals than was possible under the civil law.

The Act defines the amount of compensation to be paid in the case of death, permanent total disablement and Permanent partial disablement due to an injury while on duty or due to disease contracted which is peculiar to that environment also called “occupational disease”.

The Employee's Compensation Act 1923

Before 2010 Employee's Compensation Act, 1923 was known as Workmen's Compensation Act.

Purpose

An Act to provide for the payment by certain classes of employers to their Employees of compensation for injury by accident

Important Features

- On death results from an injury, an amount equal to 50% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
- Where permanent total disablement results from an injury, an amount equal to 60% of the monthly wages last drawn by the injured workman multiplied by the relevant factor or Rs. 1,20,000/- whichever is more.
- Maximum monthly wages (after amendments) of Rs. 15,000/- p.m.
- In case of permanent partial disablement, the amount payable will be a percentage of the amount payable due to permanent total disability given in the act.
- In case of temporary total or partial disablement results from the injury, a half monthly payment of the sum equivalent to 25% of the monthly wages of the employee.

Figure 4.2: Important features of Employee's Compensation Act 1923

The following is the amount payable in different cases:

- (a) On death results from an injury, an amount equal to 50% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
- (b) Where permanent total disablement results from an injury, an amount equal to 60% of the monthly wages last drawn by the injured workman multiplied by the relevant factor or Rs. 1,20,000/- whichever is more.



(The relevant factor mentioned in (a) & (b) above is based on the age of the employee and is given in the schedule IV of this act. For e.g. at age 16 the factor is 228.54; at age 30 it is 207.98; at age 50 it is 153.09. For the purpose of arriving at the compensation the act has fixed the maximum monthly wages (after amendments) of Rs. 15,000/- p.m. and in case his salary is more than Rs. 15,000/- p.m. he shall be deemed to be getting a wage of Rs.15,000/- p.m. only).

- (c) In case of permanent partial disablement results from an injury, the amount payable will be a percentage of the amount payable due to permanent total disability and the percentage is specified in the act.

Some examples are:

- Amputation through shoulder joint - 90%
- Loss of thumb - 30%
- Loss of four fingers of one hand - 50%

(Complete list of injuries deemed to- result in Permanent Total Disablement, Permanent Partial Disablement is available in the Schedule I of The Employee's Compensation Act, 1923)

- (d) In case of temporary total or partial disablement results from the injury, a half monthly payment of the sum equivalent to 25% of the monthly wages of the employee.

In addition to the above in case of death of an employee, a sum of Rs.2,500/- is required to be deposited by the employer with the commissioner for payment to the eldest surviving dependant of the employee towards funeral expenses.

The list of occupation diseases is also mentioned in the Schedule III of this act.



INTEXT QUESTIONS 4.1

1. Which of the following Act was enacted for providing immediate relief to the persons affected by accident occurring while handling any hazardous substance?
 - a) Public Liability Insurance Act, 1991
 - b) The Employee's Compensation Act 1923
 - c) Motor Vehicle Act 1988
 - d) The Insurance Act 1938

Module - 5

Regulatory Aspects in Insurance

REGULATORY FRAMEWORK OF INSURANCE SECTOR



Notes

2. The relief under Public Liability Insurance Act, 1991, medical expenses are reimbursed upto a maximum of
 - a) Rs 10,000 in each case
 - b) Rs. 12,500 in each case
 - c) Rs. 25,000 in each case
 - d) Rs. 30,000 in each case
3. The relief under Public Liability Insurance Act, 1991, the relief for a fatal accident in addition to reimbursement of medical expenses is
 - a) Rs 10,000 in each case
 - b) Rs. 12,500 in each case
 - c) Rs. 25,000 in each case
 - d) Rs. 30,000 in each case
4. Which of the following act defines the amount of compensation due to an injury while on duty or due to disease contracted which is peculiar to that environment also called “occupational disease”.
 - a) Public Liability Insurance Act, 1991
 - b) The Employee’s Compensation Act 1923
 - c) Motor Vehicle Act 1988
 - d) The Insurance Act 1938
5. Under Employee’s Compensation Act, 1923, in case of a death results from an injury, the following amount is payable:
 - a) 50% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
 - b) 50% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs. 80,000/- whichever is more.
 - c) 60% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
 - d) 60% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs. 80,000/- whichever is more.



6. Under Employee's Compensation Act, 1923, in case of permanent total disablement results from an injury, the following amount is payable:
 - a) 50% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
 - b) 50% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs. 80,000/- whichever is more.
 - c) 60% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
 - d) 60% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs. 80,000/- whichever is more.
7. For the purpose of arriving at the compensation the act has fixed the maximum monthly wages (after amendments) of
 - a) Rs. 4,000/- p.m.
 - b) Rs. 15,000/- p.m.
 - c) Rs. 10,000/- p.m.
 - d) Rs. 12,000/- p.m.

4.4 MOTOR VEHICLE ACT 1988

The first law relating to Motor Vehicles was the Indian Motor Vehicle Act 1914, which stayed in operation till the year 1939. During this long period there was a vast change in the transport scenario and the need was felt to comprehensively renew the old law as the developments rendered the working of the old Act of 1939 inconvenient and it was not in tune with the change in time and the new Act of 1988 was enacted.

The Motor Vehicle Act was amended in 1988 to make Third Party Liability Insurance compulsory thus no uninsured vehicle is allowed to play on the roads or in any public place in India. These provisions are not applied to any vehicle owned by the Central Government or a State Government and used for purposes not connected with any commercial enterprise. The need of this enactment was felt due to the growing number of vehicles and the increasing number of accidents causing injury and death of the people involved in the accident and not being able to get relief from the owner/ driver of the vehicle because of long protracted legal battle involved, which many victims could not afford. (Section 146). The Act was further amended in 2019 as Motor Vehicle (Amendment) Act 2019. Some of the key features of this act after amendment in 2019 are:

Module - 5

Regulatory Aspects in Insurance

REGULATORY FRAMEWORK OF INSURANCE SECTOR



Notes

The insurance company shall, upon receiving information of the accident, either from claimant or through accident information report or otherwise, designate an officer to settle the claims relating to such accident. An officer designated by the insurance company for processing the settlement of claim of compensation may make an offer to the claimant for settlement before the Claims Tribunal giving such details, within thirty days and after following such procedure as may be prescribed by the Central Government.

If, the claimant to whom the offer is made (a) accepts such offer

- (i) the Claims Tribunal shall make a record of such settlement, and such claim shall be deemed to be settled by consent; and
- (ii) the payment shall be made by the insurance company within a maximum period of thirty days from the date of receipt of such record of settlement;

If, the claimant to whom the offer is made (b) rejects such offer, a date of hearing shall be fixed by the Claims Tribunal to adjudicate such claim on merits.

Motor Accident Claim Tribunals (MACT) have been set up by the State Government to provide speedy redressal of Third Party claims. Damage to property of Third party is also covered and the limit is Rs.7,50,000/-. (Section 140 of Motor Vehicle Act).

The Motor Vehicle (Amendment) Act 2019 now provides that in case of a hit and run motor accident, the legal heirs or the victim of an accident will be entitled to a payment of Rs. 2 lakhs only in case of death and Rs. 50,000 in the case of grievous bodily injury, or such higher amount as may be prescribed by the Central Government

In case if the owner of the motor vehicle is identified, the owner of the motor vehicle or the authorised insurer shall be liable to pay a compensation, of a sum of Rs. 5 Lakh in case of death or of Rs. 2.5 Lakh in case of grievous hurt to the legal heirs or the victim, as the case may be.

Table 51.1: Amount of compensation as per The Motor Vehicle (Amendment) Act 2019

Amount of Compensation	Hit & Run Accident	Identified Vehicle
Death	Rs. 2 lakhs	Rs. 5 Lakh
Grievous Bodily Injury	Rs. 50,000	Rs. 2.5 Lakh

In addition to the above claim the affected party can claim more compensation on account of death or permanent disability under any other law of the country.

Motor Vehicle Act also provides for the creation of a “Solatium Fund” to cater to the

victims of Hit and Run cases. The fund is created by the contribution from Insurance companies, state and central Government and the victims of Hit & Run cases are entitled to receive a compensation mentioned above in Table 40.1

Section 147 defines the requirement of an Insurance policy and the limits of its liability. It also makes the issue of certificate of Insurance compulsory, as well as the limitation of a cover note.



INTEXT QUESTIONS 4.2

1. As per The Motor Vehicle (Amendment) Act 2019, in case of a death in hit and run motor accident, the legal heirs of the victim of an accident will be entitled to:
 - a) Rs. 50,000
 - b) Rs. 2 lakhs
 - c) Rs. 2.5 lakhs
 - d) Rs. 5 lakhs
2. As per The Motor Vehicle (Amendment) Act 2019, in case of a grievous bodily injury in hit and run motor accident, the legal heirs or the victim of an accident will be entitled to:
 - a) Rs. 50,000
 - b) Rs. 2 lakhs
 - c) Rs. 2.5 lakhs
 - d) Rs. 5 lakhs
3. As per The Motor Vehicle (Amendment) Act 2019, in case of a death by an accident through identified vehicle, the legal heirs of the victim of an accident will be entitled to:
 - a) Rs. 50,000
 - b) Rs. 2 lakhs
 - c) Rs. 2.5 lakhs
 - d) Rs. 5 lakhs

Regulatory Aspects in Insurance



Notes

Module - 5

Regulatory Aspects in Insurance

REGULATORY FRAMEWORK OF INSURANCE SECTOR



Notes

4. As per The Motor Vehicle (Amendment) Act 2019, in case of a grievous bodily injury by an accident through identified vehicle, the legal heirs or the victim of an accident will be entitled to:
- a) Rs. 50,000
 - b) Rs. 2 lakhs
 - c) Rs. 2.5 lakhs
 - d) Rs. 5 lakhs

4.5 REGULATION FOR THIRD PARTY ADMINISTRATORS (TPA)

TPA or Third Party Administrator (TPA) is an organisation holding a license from Insurance Regulatory Development Authority of India (IRDAI) to process health insurance claims in addition to providing cashless facilities as an outsourcing entity of an insurance company.

Insurance Regulatory and Development Authority of India (Third Party Administrators - Health Services) Regulations came in the year 2016 which amended the earlier regulations related with Third Party Administrators-Health Services in India.

4.5.1 Important Definitions

In these regulations, unless the context otherwise requires, -

“Cashless facility means a facility extended by an insurer to an insured where the payment of the costs of treatment undergone by the insured in accordance with the policy terms and conditions is directly made to the network provider by the insurer to the extent of approved pre-authorization”.

“Health Services Agreement means an agreement prescribing the terms and conditions of services which may be rendered to the holders of health insurance policies of any Insurer and may be entered into between:

- a) Third Party Administrator (TPA) and an insurer; or
- b) Network provider and an insurer; or
- c) Network provider, a TPA and the insurer”.

“Network Provider means hospital or health care provider enlisted by an insurer, TPA or jointly by an insurer and TPA to provide medical services to an insured either on payment or by a cashless facility”.



“Third Party Administrator (TPA)”, means a company registered with the Authority, and engaged by an insurer, for a fee or remuneration, by whatever name called and as may be mentioned in the agreement, for providing health services as mentioned under these Regulations.

1. A TPA may render the following services to an insurer under an agreement in connection with health insurance business:
 - a) servicing of claims under health insurance policies by way of pre-authorization of cashless treatment or settlement of claims other than cashless claims or both, as per the underlying terms and conditions of the respective policy and within the framework of the guidelines issued by the insurers for settlement of claims.
 - b) servicing of claims for Hospitalization cover, if any, under Personal Accident Policy and domestic travel policy.
 - c) facilitating carrying out of pre-insurance medical examinations in connection with underwriting of health insurance policies:
 - d) health services matter of foreign travel policies and health policies issued by Indian insurers covering medical treatment or hospitalization outside India
 - e) servicing of health services matters of foreign travel policies issued by foreign insurers for policyholders who are travelling to India:

While performing the services as indicated above, a TPA shall not

- a) Directly make payment in respect of claims
- b) Reject or repudiate any of the claims directly
- c) Handle or service claims other than hospitalization cover under a personal accident policy
- d) Procure or solicit insurance business directly or indirectly
- e) Offer any service directly to the policyholder or insured or to any other person unless such service is in accordance with the terms and conditions of the policy

A TPA can provide health services to more than one insurer. Similarly an insurer may engage more than one TPA for providing health services to its policyholders or claimants.



Notes

4.5.3 Compulsory Registration for Health Services by TPA

A valid certificate of registration from the IRDAI is required by any person or an entity to commence or carry out the business of TPA and render health services. TPA shall exclusively carry on business of providing health services and shall not engage itself in any other business.

Every TPA and applicant seeking registration as TPA from the Authority shall have the words 'Insurance TPA' in its name to reflect that it is engaged or proposes to engage in the business of TPA for rendering health services.

4.5.4 Minimum Capital and Working Capital Requirements for a TPA

Only a company with a share capital and registered under the Companies Act, 2013 (18 of 2013) as amended from time to time, can function as a TPA.

A minimum paid up equity share capital of rupees four crores and a working capital of rupees one crore is required to work as a TPA.

4.5.5 Application for Grant of Certificate of Registration as TPA

1. A company desirous of obtaining a certificate of registration as TPA from the IRDAI shall make an application for registration in writing in a prescribed form and along with the documents specified by the IRDAI from time to time.
2. The application shall be accompanied by a non-refundable processing fee of Rupees 20,000/- (Rupees Twenty Thousand only) and applicable service tax.
3. Any additional information or data or clarifications may be asked by the IRDAI along with the application.

4.5.6 Conditions for Grant of Certificate of Registration

1. The Authority, while examining an application for grant of certificate of registration shall take into account all matters relevant to carrying out the business of TPA.
2. The Authority in particular, shall examine the following:
 - a) The applicant has the words "Insurance TPA" in its name;
 - b) The applicant has complied with the minimum capital requirements;
 - c) The promoters of the applicant have the financial strength to carry out the business of TPA;



- d) At least one of the directors of a TPA holds a minimum qualification of MBBS, with a valid registration from the Medical Council of India or Medical Council of any state of India and is thereby entitled to practice medicine within its jurisdiction; and is acting within the scope and jurisdiction of his/her registration.
- e) The applicant has the necessary infrastructure such as adequate office space, equipment and trained manpower to effectively discharge its functions;
- f) The Chief Executive Officer or Chief Administrative Officer and Chief Medical Officer of the applicant fulfils the fit and proper criteria
- g) The applicant has sufficient reach with Network Hospitals and Information Technology capability
- h) The applicant has necessary in-house medical expertise in addition to the regulatory stipulation of at least one Director having the stipulated medical qualification.
- i) Any other requirements that the Authority may consider necessary for grant of Certificate of Registration to the TPA.

4.5.7 Grant of Certificate of Registration

1. Every applicant approved by the Authority for grant of Certificate of Registration shall pay a further sum of Rs. 30,000/- (Rupees Thirty Thousand only) and applicable service tax to the Authority as registration fee prior to grant of Certificate of Registration.
2. A TPA which has been granted Certificate of Registration shall commence business operations within twelve months from the date of grant of Certificate of Registration by the Authority.
3. **Validity:** Every Certificate of Registration granted by the Authority to a TPA or any renewal thereof, in terms of these regulations, shall remain in force for a period of three years as indicated in the Certificate of Registration, unless the Authority decides to revoke, suspend or cancel the Certificate of Registration in accordance with these regulations.

4.5.8 Refusal for Grant of Certificate of Registration

1. The Authority may refuse grant of Certificate of Registration to an applicant if it is satisfied that:

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY FRAMEWORK OF INSURANCE SECTOR

- a) The application is not complete in all respects or not conforming to the instructions mentioned in the form for application or not complying with the requirements of these regulations or directions of the Authority.
- b) The applicant does not comply with the requirements and conditions for grant of Certificate of

4.5.9 Requirement of Qualification, Training and Passing of Examination

1. Every TPA shall appoint, with due intimation to the Authority, from amongst its directors or senior employees, either a Chief Executive Officer (CEO), or a Chief Administrative Officer (CAO) who shall possess the educational qualifications mentioned
2. Every TPA shall have a Chief Medical Officer (CMO) who shall be a person having a minimum qualification of MBBS, holding a valid registration from the Medical Council of India or Medical Council of any state of India being thereby entitled to practice medicine within its jurisdiction; and is acting within the scope and jurisdiction of such registration. Such a Chief Medical Officer shall be a full time employee of the TPA.
3. A CEO or CAO shall possess the following qualifications-
 - a) Bachelor's degree from a recognised University; and
 - b) Pass in the Associateship examination conducted by the Insurance Institute of India or such equivalent examination as may be recognised and specified by the Authority; and
 - c) Completion of training with an institution recognised by the Authority for these purposes, as may be specified by the Authority.

4.5.10 Issue of a Duplicate Certificate of Registration

1. In case a Certificate of Registration granted to a TPA by the Authority is lost or destroyed or mutilated, the TPA shall submit to the authority an application for issue of duplicate Certificate of Registration in such form as may be specified by the Authority.
2. Such application shall be accompanied by a processing fee of rupees two thousand and applicable service tax and the same shall be paid to the Authority.

3. The Authority, on being satisfied that the original Certificate of Registration has been lost, destroyed or mutilated, shall issue a duplicate Certificate of Registration to the TPA in the form as specified by the Authority

4.5.11 Renewal of Certificate of Registration

1. Every TPA seeking renewal of Certificate of Registration shall make an application for renewal to the Authority in such form and accompanied by such documents as may be specified by the Authority.
2. The application may be made to the Authority not earlier than one hundred and eighty days and not later than thirty days before the date on which the Certificate of Registration ceases to be valid.
3. The application shall be accompanied by a non-refundable renewal processing fee of Rs.15,000/- (Rupees Fifteen Thousand only) and applicable service tax to be paid to the Authority.

4.5.12 Revocation, Suspension, Cancellation or Denial of Renewal of Certificate of Registration Granted to a TPA

1. The Authority may by order, revoke, suspend or cancel the Certificate of Registration granted to a TPA or deny renewal to an applicant if it is satisfied, that:
 - a) The TPA is functioning in a manner detrimental to the interests of the insured, policyholder or insurer;
 - b) The financial condition of the TPA has deteriorated because of which the TPA cannot function effectively;
 - c) The TPA furnished wrong or false information or undertaking or willfully concealed or failed to disclose material facts in the application for obtaining a Certificate of Registration or renewal of Certificate of Registration and such Certificate of Registration or renewal was granted to the TPA on the basis of non-disclosure, misrepresentation of facts or fraud;
 - d) The TPA is under liquidation or is adjudged as being insolvent;
 - e) The TPA has violated or failed to comply with these regulations or any other provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999 or rules,



Notes



Notes

Regulations, Guidelines or Circulars issued by the Authority;

- f) The TPA failed to furnish information relating to its business as a TPA or failed to submit periodical returns as required by the Authority;
- g) The TPA did not co-operate with any inspection, audit or enquiry conducted by the Authority or caused by the Authority;
- h. The TPA failed to resolve the complaints of the policyholders or network providers or failed to give a satisfactory reply to the Authority in this behalf;
- i) The TPA is found guilty of misconduct or its conduct is not in accordance with the Code of Conduct mentioned in these regulations.
- j) The TPA failed to maintain minimum capital or working capital requirements

4.5.13 Effect of an Action on Revocation, Suspension, Cancellation, Voluntary Surrender or Denial of Renewal of Certificate of Registration

1. On and from the date of the order issued by the Authority, of revocation, cancellation, suspension or voluntary surrender of the certificate of registration, or denial of renewal of certificate of registration, the TPA shall cease to do the business of TPA unless mentioned otherwise in the order.
2. The TPA shall forthwith inform the insurer for taking alternative steps such as appointment of another TPA or undertaking of the servicing of the affected policies as may be necessary, immediately, to continue to cater to the insured or policyholders serviced by the TPA.
3. The TPA shall immediately handover to the concerned insurer all the books, information, records or documents, etc. and the complete data collected by it relating to the business carried on by it with regard to such insurer.
4. Where TPA renders the health services of the foreign insurers to their respective policyholders visiting India, it shall immediately notify the order issued by the Authority to all such foreign insurers to whom the TPA services were rendered in the preceding three financial years.
5. No Insurer shall permit a TPA whose certificate of registration is revoked, suspended or cancelled or which has been denied renewal of Certificate of Registration to render health services to their policyholders in foreign countries.



6. Where a Certificate of Registration of a TPA is revoked or cancelled or where the TPA is denied renewal or where the TPA voluntarily surrenders certificate of registration, the company shall not carry the words “Insurance TPA” in its name.

4.5.14 Code of Conduct for TPA

It shall be the duty of every TPA, its Chief Administrative Officer or Chief Executive Officer and its employees or representatives to :-

- a) establish its or his or their identity to the public and the insured/policyholder and that of the insurance company with which it has entered into an agreement.
- b) disclose its licence to the insured/policyholder/prospect.
- c) disclose the details of the services it is authorised to render in respect of health insurance products under an agreement with an insurance company;
- d) bring to the notice of the insurance company with whom it has an agreement, any adverse report or inconsistencies or any material fact that is relevant for the insurance company’s business;
- e) obtain all the requisite documents pertaining to the examination of an insurance claim arising out of insurance contract concluded by the insurance company with the insured/policyholder;
- f) render necessary assistance specified under the agreement and advice to policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims with the insurance company;
- g) conduct itself /himself in a courteous and professional manner;
- h) refrain from acting in a manner, which may influence directly or indirectly insured/policyholder of a particular insurance company to shift the insurance portfolio from the existing insurance company to another insurance company;
- i) refrain from trading on information and the records of its business;
- j) maintain the confidentiality of the data collected by it in the course of its agreement;
- k) refrain from resorting to advertisements of its business or the services carried out by it on behalf of a particular insurance company, without the prior written approval by the insurance company;
- l) refrain from inducing an insured/policyholder to omit any material information, or submit wrong information;

Module - 5

Regulatory Aspects in Insurance



Notes

REGULATORY FRAMEWORK OF INSURANCE SECTOR

- m) refrain from demanding or receiving a share of the proceeds or indemnity from the claimant under an insurance contract;
- n) follow the guidelines/directions that may be issued down by the Authority from time to time.



INTEXT QUESTIONS 4.3

1. Which of the following statement is true with respect to the TPA?
 - a) A TPA can provide health services to more than one insurer
 - b) An insurer may engage more than one TPA
 - c) Both a) and b)
 - d) Neither a) nor b)
2. Which of the following shall be included in the name of TPA?
 - a) Insurance TPA
 - b) India Ltd.
 - c) TPA Service
 - d) None of the above
3. ATPA shall have a minimum paid up equity share capital of _____
 - a) Rs. 1 Crore
 - b) Rs. 2 Crore
 - c) Rs. 3 Crore
 - d) Rs. 4 Crore
4. A TPA shall have a minimum working capital of _____
 - a) Rs. 1 Crore
 - b) Rs. 2 Crore
 - c) Rs. 3 Crore
 - d) Rs. 4 Crore



5. At least one of the directors of a TPA shall hold a minimum qualification of
 - a) A medical Practitioner
 - b) MBBS
 - c) BAMS
 - d) None of the above
6. The validity of a Certificate of Registration granted by the IRDAI to a TPA is
 - a) 1 Year
 - b) 2 Years
 - c) 3 Years
 - d) 5 Years
7. Every TPA seeking renewal of Certificate of Registration shall pay a non-refundable renewal processing fee of
 - a) Rs. 15,000/- plus Service Tax
 - b) Rs. 5,000/- plus Service Tax
 - c) Rs. 20,000/- plus Service Tax
 - d) Rs. 25,000/- plus Service Tax



WHAT YOU HAVE LEARNT

Public Liability Insurance Act, 1991 was enacted to provide for public liability- insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto.

The Employee's Compensation Act is another important act. Before 2010, Employee's Compensation Act, 1923 was known as Workmen's Compensation Act. The Act defines the amount of compensation to be paid in the case of death, permanent total disablement and Permanent partial disablement due to an injury while on duty or due to disease contracted which is peculiar to that environment also called "occupational disease". (a) On death results from an injury, an amount equal to 50% of the monthly wages last drawn by the deceased employee multiplied by the relevant factor or Rs.1,20,000/- whichever is more. Where permanent total disablement results from

Module - 5

Regulatory Aspects in Insurance

REGULATORY FRAMEWORK OF INSURANCE SECTOR



an injury, an amount equal to 60% of the monthly wages last drawn by the injured workman multiplied by the relevant factor or Rs. 1,20,000/- whichever is more.

The motor vehicle act amended many times with the recent amendment with Motor Vehicle (Amendment) Act 2019. The act specifies the amount of compensation to be paid in case of death or grievous bodily injury to the legal heirs or the victim.

TPA or Third Party Administrator (TPA) is an organisation holding a license from Insurance Regulatory Development Authority of India (IRDAI) to process health insurance claims in addition to providing cashless facilities as an outsourcing entity of an insurance company. Insurance Regulatory and Development Authority of India (Third Party Administrators - Health Services) Regulations, 2016 highlights health services which may be provided by TPA. A valid certificate of registration from the IRDAI is required by any person or an entity to commence or carry out the business of TPA and render health services. A minimum paid up equity share capital of rupees four crores and a working capital of rupees one crore is required to work as a TPA. Certificate of registration is to be obtained from IRDAI to work as a TPA. There are general guidelines to TPA in respect of services in relation to health insurance policies which are to be followed by TPA. These regulations also highlight the Code Of Conduct for TPA.



TERMINAL QUESTIONS

1. Write in brief about the Public Liability Insurance Act 1991.
2. Write short note on:
 - a) Employee's Compensation Act 1923
 - b) Motor Vehicle Act 1988.
3. Discuss the TPA regulations issued by IRDA in detail under following heads:
 - a) Registration of TPA
 - b) Revocation or cancellation of a Licence
 - c) Code of Conduct for TPA



ANSWERS TO INTEXT QUESTIONS

Regulatory Aspects in Insurance



Notes

4.1

1. (a) Public Liability Insurance Act, 1991
2. (b) Rs. 12,500 in each case
3. (c) Rs. 25,000 in each case
4. (b) The Employee's Compensation Act 1923
5. (a) 50% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
6. (c) 60% of the monthly wages multiplied by the relevant factor or Rs.1,20,000/- whichever is more.
7. (b) Rs. 15,000/- p.m.

4.2

1. (b) Rs. 2 lakhs
2. (a) Rs. 50,000
3. (c) Rs. 2.5 lakhs
4. (d) Rs. 5 lakhs

4.3

1. (c) Both a) and b)
2. (a) Insurance TPA
3. (d) Rs. 4 Crore
4. (a) Rs. 1 Crore
5. (b) MBBS
6. (c) 3 Years
7. (a) Rs. 15,000/- plus Service Tax

Module - 5

Regulatory Aspects in Insurance

REGULATORY FRAMEWORK OF INSURANCE SECTOR



LEARNING OUTCOMES

After studying this chapter, you are able :

- To explain the important features of Public Liability Insurance Act, 1991; Employee's Compensation Act, 1923; and Motor Vehicle Act 1988
- To explain the regulations for Third Party Administrators (TPA)



Notes

**5**

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

5.0 INTRODUCTION

There are various acts and laws related to insurance industry. In this chapter you will be learning about Income tax provisions related to Life Insurer, General Insurer, Business organization and Individuals. Also, various issues related to policyholders are discussed under protection of policy holder interest. This chapter will also explain about different methods of receipt of premium. Also, you will understand Anti Money Laundering and Know Your Customer Guidelines.



5.1 OBJECTIVES

After reading this lesson, you will be able to:

- Explain the Income tax provisions related to Life Insurer, General Insurer, Business organization and Individuals.
- Describe different methods of receipt of premium
- Explain Protection of Policy holder interest
- Memorize the Anti Money Laundering and Know Your Customer Guidelines

5.2 INCOME TAX PROVISIONS RELATED TO LIFE INSURER, GENERAL INSURER, BUSINESS ORGANIZATION AND INDIVIDUALS

Terminology of Indian Income Tax Act 1961: To understand the Income Tax Act one has to understand the various terms which are used frequently while calculating Income tax.

Module - 5

Regulatory Aspects in Insurance



Notes

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

Income: Any earning by way of salary, profit or loss or rental income or interest income or profit or loss on sale of any capital assets or lottery, prizes is considered as income under the Income Tax Act.

Assesse: An Assesse is a person whose income is being assessed. For e.g., Mr. 'A' is a govt. employee or in job; his salary is an income, therefore - Mr.A will be considered as assessee.

Financial Year: The financial year is of 12 months starting from 1st April & ending to 31st March of the succeeding year. For example: 1st April 2018 to 31st March 2019.

Previous Year: The financial year in which the income is earned is known as the previous year.

Assessment Year: It is the succeeding year of the previous year and the year in which the income is assessed. Income tax is calculated on the income of 1st April 2018 to 31st March 2019 (Previous Year) in the succeeding year 2019-20 (Assessment year).

Income Heads

Under section 14 of the Income Tax Act all incomes for the purpose of charge of Income Tax & Computation of total income have been classified under the following five heads of Income.

- | | |
|---|----------|
| 1. Salaries | Section: |
| 15 to 17 | |
| 2. Income from House Property: | |
| 22 to 27 | |
| 3. Profits & gains of Business or Profession: | |
| 28 to 44 | |
| 4. Capital gains: | |
| 45 to 55 | |
| 5. Income from other sources: | |
| 56 to 59 | |

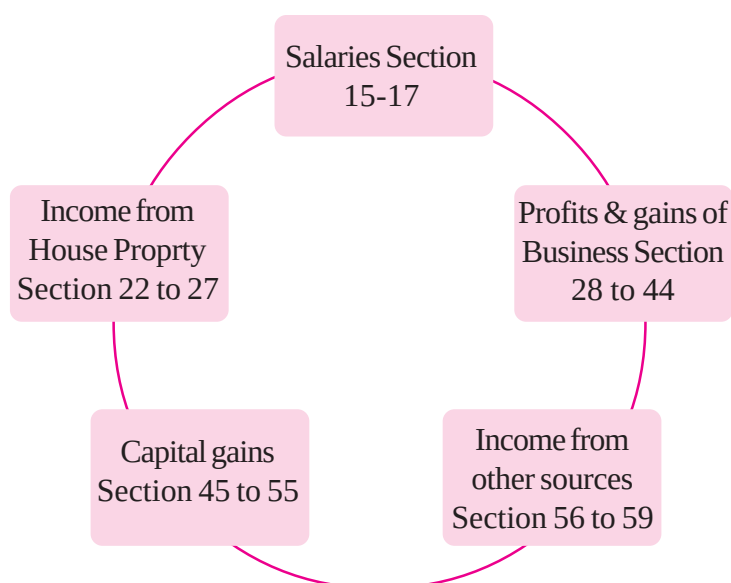


Figure 5.1: Income heads for computation of Income Tax

Income, which falls within one head cannot be assigned to or taxed under another head. Further, income computed under each distinct head is not separately chargeable to tax. Income tax is only one tax levied on the aggregate of income classified and chargeable under the different heads.

The brief explanation of these heads are as under: -

1. Salary

Salary received and due during the previous year is chargeable to tax. However, if any salary has been included in the total income for any previous year on the basis of receipt it shall not be included again on the total income when it becomes due. Similarly, when any salary due (arrear) is not included in the total income it shall be included in the total income when it is received. The advance salary is included in the total income but not a loan taken by an employee from the employer. Salary due means what is legally due or where a legally enforceable right has vested in the employee against the employer.

2. Income from House Property

The buildings include residential buildings let out for business or profession or for storage or warehouse or auditoriums for entertainment programmes. Cinema Halls, building let out for office, dance halls, music halls etc. But it does not include temporary hutments in the vacant land & any rental income there from will be assessed under the head “Income from other Sources”. The location of building is immaterial. It may be located in India or abroad. If a company is



Notes

incorporated with the object of promoting & developing a building for market place, the income of the company is not assessable under the head “Income from Business & Profession” but it is assessable under the head “Income from House Property”. In case, the business carried on by the assessee has been stopped & the business premises have been based out the rental income is assessable as income from property.

3. Profit & Gains of Business or Profession

Business includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture. For practical purposes, business means the purchase and sale or manufacture of a commodity with a view to make profit. Business includes banking, transport business or any other adventure. In this connection it is not necessary that there should be a series of transactions in a business and that it should be carried on permanently. Neither repetition nor continuity of similar transactions is necessary. Profit of an isolated transaction is also taxable under this head provided that it is a venture in the nature of business or trade. A transaction may be a single one and in that sense isolated but it must comprise some activity in the nature of operations, which are ordinarily followed in respect of trade. In this connection intention of purchase is very important. One may purchase an article for one’s own use and without any intention to sell it and the mere fact that he subsequently sells it at a profit will not make the transaction of purchase and sale an adventure in the nature of trade. If, however, at the date of the purchase and sale an adventure in the nature of trade. If, however, at the date of the purchase the object of the purchase was not to bring the article in his own use but to sell it at a profit, there can hardly be any doubt that in that case the transaction would be a venture in nature of trade. Where a person purchased land and resold as building sites after plotting out within two years of purchase, it was held that the transaction was in the nature of trade and assessable as business income.

4. Profession includes vocation

Profession means those activities for earning livelihood which require intellectual skill or manual skill, e.g., the work of a lawyer, doctor, auditor, engineer and so on, are in the nature of profession. Vocation means activities which are performed in order to earn livelihood, e.g., brokerage, Insurance agency, music, dancing, etc. As the rules for the assessment of business, profession or vocation are the same, there is no importance of making any distinction between them from the income tax point of view.



5. Income from Capital Gains

Any profits & gains arising from the transfer of a capital assets effected in the previous year shall be chargeable to income tax under the head “Capital Gains” and shall be deemed to be the income of the previous year in which the transfer took place. Capital assets will include your real estate or property, mutual funds, equity share, bonds, debentures, etc.

6. Income from other sources

This is a residuary head of income and all such income profits & gains which are not chargeable to income tax under any of the first four heads are included in this head.

Taxation Provisions for Insurers, Insured: Like every commercial contract, two or more persons are involved in the insurance contracts. The persons involved in these contracts are called Insurer (The seller) and the Insured (Buyer). As the obligations of these persons are different, therefore the provisions of income tax are also different which are explained as under:-

The Tax provisions in the Insurance sector can be discussed under the following heads:

1. Insurer

- a) **Life Insurer:** As per the ‘The Insurance Laws (Amendment) Act, 2015 (An Act further to amend the Insurance Act, 1938 and the General Insurance Business (Nationalisation) Act, 1972 and to amend the Insurance Regulatory and Development Authority Act, 1999) only companies registered under The Companies Act, 2013 (Amendment of Indian Companies Act 1956) can start the Insurance business. As the companies are also conducting the commercial transaction business therefore these should also be considered at par with the other commercial organization under the head “Income from Business and Profession” but Income Tax Act considers Life insurer differently because the income generated by them is from contribution made by the general public for the risk coverage and saving. If the same is taxed at the rate applicable, then it is taxed on the saving of an individual.

Section 44 of the Income Tax Act deals the taxation provisions related to life insurer and explained as under: “If the person who carries on or at any time in the previous year carried on life insurance business the profit & gains of such person from that business shall be computed separately from his profit and gains from any other business and further adjusted the surplus

Module - 5

Regulatory Aspects in Insurance



Notes

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

or deficit by the Actuarial valuation. The Actuarial valuation means the liability of the life insurance company to be paid to the policyholders either on death or on maturity including bonus". For eg: If a Life Insurance Company has earned Rs. 10 crores from life insurance and other activities then the profit say Rs. 3 crores from other activities and actuarial liability say Rs. 5 crores then the income from business will be as follows:-

Particulars	In crores
Total Income of Life Insurance Company:	10
Less income from other activities	3
Income of life insurance business	7
Less Actuarial valuation	5
Taxable income of Life insurance company	2

Taxation: The life insurance company will pay tax @ 12.5% on Rs. 2.00 crores under section 115B of Income Tax Act and normal rate on income from other activities as per the rates notified by the official gazette of Central government.

- b) **General Insurer and Reinsurer:** In the case of these organizations the profit and gains are computed as in the case of any other organization except that the reserve for unexpired risks may be allowed. Reserve for unexpired risks means provision of claims has been made on the general insurance policies which has not expired but claim may arise in future or the next financial year. The normal income tax rate will be applicable to these two insurers.

2. Insured

a) Individual:

The income tax of an individual is calculated as per the current tax slab. The following benefits or deductions are available to an individual who invest his income in insurance:-

- i) **Payment of life Insurance Premium:** The payment of premium up to Rs 1.5 lakhs can be reduced from the taxable income of an individual under section 80C of the Income Tax Act 1961. Premium may be of life insurance or Annuity plan.



- ii) **Payment of Health Insurance:** The payment of premium on health insurance can be reduced from the taxable income of an individual up to Rs 25000/- (including preventive health checkup Rs. 5,000/-) under section 80D of The Income Tax Act, 1961. For a senior citizen, the deduction is allowed for Rs. 50,000/-. If you are paying a premium for your family (You, Spouse and children), then you can claim a deduction of Rs. 25,000/- (50,000 for a senior citizen). If you being an individual paying premium for your family and dependent parents who are less than 60 years of age, then deduction amount will be upto Rs. 25,000/- for you plus Rs. 25,000/- for your parents, combined Rs. 50,000/-. If you are below 60 years and your parents are above 60 years, then deduction amount will be upto 25,000/- for you plus Rs 50,000/- for parents, i.e. Rs. 75,000/-. If you and your parents are above 60 then the limit of section 80D would be Rs. 50,000/- for you plus Rs. 50,000/- of your parents, i.e. Rs. 1,00,000/-. The payment should be made from your account, debit card or credit card and should not be in cash.

b) Business Organization:

Any business organization incurring any expenditure by way of insurance premium is allowed as expenditure. In other words the income will be reduced by the expenses incurred on insurance for Plant & Machinery, Building, stock etc. Even if the insurance premium is paid for welfare of the employees are allowable expenditure.

Income Tax rate applicable to Life Insurance business	12.5%
Income Tax rate applicable to General Insurance business and reinsurers	Normal business Income Tax rates
Maximum limit under section 80C for insurance premium	Rs. 1.5 lakhs
Maximum limit under section 80D for health insurance premium	Adults- Rs. 25000 Senior citizens- Rs. 50000

Table 5.1- Tax provisions for insurance companies and policyholders



Notes



INTEXT QUESTIONS 5.1

1. Under Indian Income Tax Act 1961 the Income can be classified under_____ heads (5/6).
2. Previous year and financial year can be same. (Correct/incorrect).
3. Income Tax Rate for life insurance business is_____(12.5%/ 30%).
4. The maximum limit for health insurance premium for adults is _____(Rs. 15,000/-, Rs. 25,000/-).
5. What is the maximum limit for insurance premium under section 80C of Income Tax Act, 1961?
 - a) Rs. 1 lakh
 - b) Rs. 2 lakhs
 - c) Rs. 80,000
 - d) Rs. 1.5 lakhs
6. What is the maximum limit for health insurance premium for senior citizens under section 80D of Income Tax Act, 1961?
 - a) Rs. 25000
 - b) Rs. 50000
 - c) Rs. 30000
 - d) Rs. 20000

5.3 PROTECTION OF POLICY HOLDER S INTEREST

Life is full of uncertainties. Insurance is available for unpredictable events such as death, accident, sickness, loss or damage to motor vehicle, property etc. These are some of the risks against which you should protect yourself from and accordingly buy personal accident insurance, health insurance, motor insurance, property insurance etc. The insurance policy that you buy must meet your requirements. This means you must first identify what your needs are. Be aware of the credentials of the person offering insurance, and always ensure right buying to get value out of insurance. Insurance frauds are not uncommon. Do not fall prey to insurance frauds. To ensure protection of policyholder's interest, IRDAI has notified Protection of Policyholders Interest



Regulations 2017 to provide for: policy proposal documents in easily understandable language; claims procedure in both life and non-life; setting up of grievance redressal machinery; speedy settlement of claims; and policyholders' servicing. The Regulation also provides for payment of interest by insurers for the delay in settlement of claim.

OBJECTIVE:

1. To ensure that interests of insurance policyholders' are protected.
2. To ensure that insurers, distribution channels and other regulated entities fulfil their obligations towards policyholders and have in place standard procedures and best practices in sale and service of insurance policies.
3. To ensure policyholder-centric governance by insurers with emphasis on grievance redressal.

DUTY OF INSURERS:

1. It is obligatory on the part of the insurance companies to disclose clearly the benefits, terms and conditions under the policy.
2. The advertisements issued by the insurers should not mislead the insuring public.
3. IRDAI's regulations specify the Turnaround Times (TAT) for various services that an insurance company has to render to you.
4. The Insurers shall ensure, that a sale executed over distance-marketing modes such as Internet, SMS, Tele Marketing, interactive electronic medium etc., shall be undertaken by authorized and qualified sales persons who are specified in this behalf by the Authority.
5. Every insurer shall place in its website the terms and conditions of every insurance product that is offered for sale by the insurer as it was approved by the IRDAI.

STATUTORY OBLIGATION:

The insurers are required to maintain solvency margins so that they are in a position to meet their obligations towards policyholders with regard to payment of claims.

SOURCING OF BUSINESS:

Every insurance agent has to explain the nature of information required in the proposal form by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract. An insurer or its agent or other intermediary has to provide all material information to enable you to decide on the best cover in your best interest. Where you are dependent on the advice of an agent or an insurance intermediary, such a person must advise you dispassionately.



Notes

CLAIMS PROCEDURE IN RESPECT OF A LIFE INSURANCE POLICY:

1. A life insurer, upon receiving a death claim, shall process the claim without delay. Any queries or requirement of additional documents, shall be raised all together and not in a piece-meal manner, within a period of 15 days of the receipt of the claim.
2. A death claim under a life insurance policy shall be paid or be rejected or repudiated giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and required clarifications.

CLAIM PROCEDURE IN RESPECT OF A GENERAL INSURANCE POLICY

1. An insured or the claimant shall give notice to the insurer of any loss arising under contract of insurance at the earliest or within such extended time as may be allowed by the insurer. On receipt of such a communication, a general insurer shall respond immediately and give clear information to the insured on the procedures that he should follow.
2. In cases where a surveyor has to be appointed for assessing a loss/claim, it shall do so immediately, in any case within 72 hours of the receipt of intimation from the insured.
3. Insurer shall communicate the details of the appointment of surveyor, including the role, duties and responsibilities of the surveyor to the insured by letter, email or any other electronic form immediately after the appointment of the surveyor.
4. The insurer / surveyor shall within 7 days of the claim intimation, inform the insured / claimant of the essential documents and other requirements that the claimant should submit in support of the claim.

GRIEVANCE REDRESSAL: The Authority takes up with the insurers any complaint in connection with services provided by them under the insurance contract. All insurers had proper grievance redress machinery in their head office and at their other offices. Every insurer shall have in place proper procedures and effective mechanism to resolve complaints and grievances of policyholders, claimants efficiently and with speed.

POLICYHOLDER S SERVICING: An insurer carrying on life or general business, has to respond within 10 days of the receipt of any communication in all matters, such as:

- a) recording change of address;
- b) noting a new nomination or change of nomination under a policy;
- c) noting an assignment on the policy;



- d) providing information on the status of a policy indicating all matters
- e) processing papers and disbursement of a loan on security of policy;
- f) issuance of duplicate policy;
- g) issuance of an endorsement under the policy; noting a change of interest or sum assured or perils insured, financial interest of a bank and other interests; and
- h) guidance on the procedure for registering a claim and early settlement thereof.

There are increasing complaints, especially those alleging mis-sale of policies, in the insurance sector. The delay in settlement of claims in the non-life insurance sector is a cause of concern. Insurance Regulator has the responsibility of protecting the interest of each insurance policyholder. The goals of the IRDAI are to safeguard the interests of insurance policyholders, as well as to initiate different policy measures to help sustain growth in the Indian insurance sector.

Service provided	Time duration
A life insurer, upon receiving a death claim, shall intimate any queries or requirement of additional documents together and not in a piece-meal manner, within a period of	15 days of the receipt of the claim.
A death claim under a life insurance policy shall be paid or be rejected or repudiated giving all the relevant reasons, within	30 days from the date of receipt of all relevant papers and required clarifications.
An insured or the claimant shall give notice to the insurer of any loss arising under contract of insurance at the earliest or within	such extended time as may be allowed by the insurer.
In cases where a surveyor has to be appointed for assessing a loss/claim, it shall do so immediately, in any case within	72 hours of the receipt of intimation from the insured.
An insurer carrying on life or general business, has to respond for any communication in all matters under policyholder servicing	within 10 days of the receipt of the communication

Table 5.2 Time duration for services rendered by insurers



Notes

5.4 METHOD OF PAYMENT OF PREMIUM

The premium to be paid by any person proposing to take an insurance policy or by the policyholder to an insurer may be made in any one or more of the following methods:

- Cash
- Any recognised banking negotiable instrument such as cheques, demand drafts, pay order, banker's cheques drawn on any schedule bank in India;
- Postal money order;
- Credit or debit cards;
- Bank guarantee or cash deposit;
- Internet;
- E-transfer
- Direct credits via standing instruction of proposer or the policyholder or the life insured through bank transfers;
- Any other method or payment as may be approved by the Authority from time to time;

As per IRDAI Regulations, in case the proposer / policyholder opts for premium payment through net banking or credit / debit card, the payment must be made only through net banking account or credit / debit card issued in the name of such proposer / policyholder.

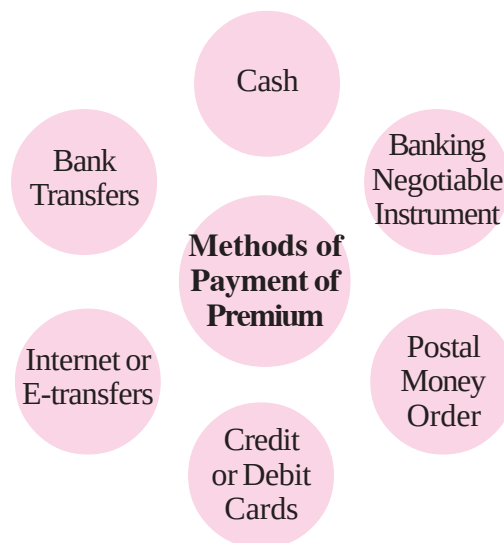


Figure 5.2 Methods of payment of premium

5.5 ANTI-MONEY LAUNDERING AND KNOW YOUR CUSTOMER GUIDELINES

With a practise known as money laundering, criminals attempt to pass on the money they have earned from their illegal actions as legitimate currency. Criminals try to launder their money using financial services, such as banks and insurance. They carry out transactions using fictitious identities, such as when they buy insurance and then successfully withdraw the money before leaving after their goal has been achieved. Government levels all around the world, including India, have been working to take action to prevent such attempts at money laundering.

The act of concealing the true source and ownership of the proceeds of illicit activity is known as money laundering. Money might appear legitimate and shed its illegal nature through this procedure.

The legislation of Prevention of Money Laundering Act was enacted by the government in 2002. A circular was released on 1 July, 2015 titled as *Master Circular - Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/ Combating Financing of Terrorism (CFT)/Obligation of banks and financial institutions under Prevention of Money Laundering Act, 2002*.

The objective of this circular was to provide KYC/AML/CFT guidelines to prevent banks/FIs from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC procedures also enable banks/FIs to know/understand their customers and their financial dealings better and manage their risks prudently.

As per the master circular following definitions were stated:

1. Customer- For the purpose of KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
2. Officially valid document(OVD)- OVD means the passport, the driving licence, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, letter issued by the Unique Identification Authority of India containing details of name, address and adhaar number, or any other document as notified by the Central Government in consultation with the Regulator.



Notes

Module - 5

Regulatory Aspects in Insurance



Notes

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

3. Person- In terms of PML Act a 'person' includes:
 - a) an individual,
 - b) a Hindu undivided family,
 - c) a company,
 - d) a firm,
 - e) an association of persons or a body of individuals, whether incorporated or not,
 - f) every artificial juridical person, not falling within any one of the above persons (i to v), and
 - g) any agency, office or branch owned or controlled by any of the above persons (i to vi).
4. Transaction- "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-
 - a) opening of an account;
 - b) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
 - c) the use of a safety deposit box or any other form of safe deposit;
 - d) entering into any fiduciary relationship;
5. any payment made or received in whole or in part of any contractual or other legal obligation; or
6. establishing or creating a legal person or legal arrangement.

KYC Policy

Banks/FIs should frame their KYC policies incorporating the following four key elements:

1. **Customer Acceptance Policy (CAP)**-Banks/FIs should develop clear customer acceptance policies and procedures, including a description of the types of customers that are likely to pose a higher than average risk to the bank/FIs
2. **Customer Identification Procedures (CIP)**-Customer identification means undertaking client due diligence measures while commencing an account-based



- relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs.
3. **Monitoring of Transactions-** Banks/FIs should exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions.
 4. **Risk Management-** The Board of Directors should ensure that an effective AML/CFT programme is in place by establishing appropriate procedures and ensuring their effective implementation.

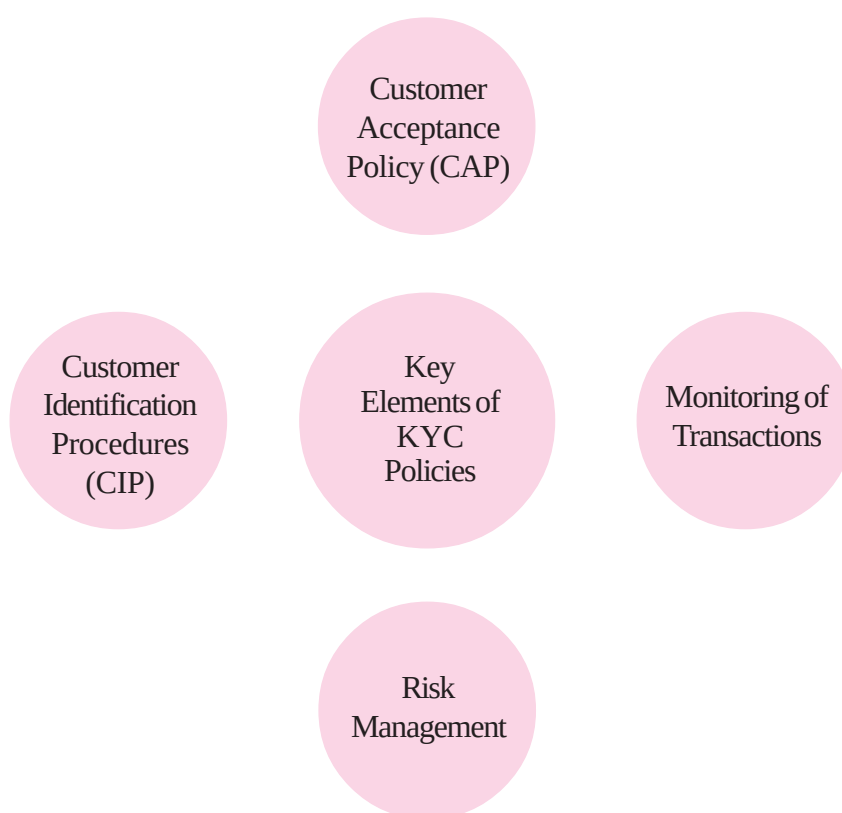


Figure 5.3 Key elements of KYC Policies

According to the Know Your Customer guidelines, every customer needs to be properly identified by collection of the following documents:

1. Address verification
2. Recent photograph
3. Financial status
4. Purpose of insurance contract

Module - 5

Regulatory Aspects in Insurance



Notes

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

The agent is therefore required to collect documents at the time of bringing in business to establish the identity of customers:

1. In case of Individuals - Collect full name, address, contact numbers of insured with ID and address proof, PAN number and full bank details for NEFT purposes
2. In case of corporates - collect Certificate of Incorporation, Memorandum and Articles of Association, Power of Attorney to transact the business, copy of PAN card
3. In case of Partnership firms - Collect Registration Certificate (if registered), Partnership Deed, Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf, Proof of identity of such person
4. In case of Trusts and foundations - similar to that of partnership

It is important to note here that such information also helps in cross-selling of products and is a helpful marketing tool.

Combating Financing of Terrorism: The United Nations periodically circulates the following two lists of individuals and entities, suspected of having terrorist links, and as approved by its Security Council (UNSC).

- a) The “Al-Qaida Sanctions List”, includes names of individuals and entities associated with the Al-Qaida. The Updated Al-Qaida Sanctions List is available at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml.
- b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <http://www.un.org/sc/committees/1988/list.shtml>.

Banks/FIs should ensure that they do not have any account in the name of individuals/entities appearing in the above lists. Details of accounts resembling any of the individuals/entities in the list should be reported to Financial Intelligence Unit-India (FIU-IND). The Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by the entities listed above.



INTEXT QUESTIONS 5.2

1. An insurer carrying on life or general business, has to respond within _____ days of the receipt of any communication in all matters.
 - a) 10
 - b) 15
 - c) 20
 - d) 25



2. Which of the following is a matter of policy servicing?
 - a) Recording change of address;
 - b) Noting a new nomination or change of nomination under a policy;
 - c) Noting an assignment on the policy;
 - d) All of the above
3. Which of the following is a method of receipt of premium?
 - a) Cash
 - b) Credit or debit cards
 - c) Cheque
 - d) All of the above
4. According to the Know Your Customer guidelines, every customer needs to be properly identified by collection of the following document
 - a) Address verification
 - b) Recent photograph
 - c) Financial status
 - d) All of the above
5. The legislation of Prevention of Money Laundering Act was enacted by the government in
 - a) 2001
 - b) 2002
 - c) 2003
 - d) 2004
6. What was the objective of Master Circular - Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/Combating Financing of Terrorism (CFT)/Obligation of banks and financial institutions under Prevention of Money Laundering Act, 2002?
 - a) To prevent banks/FIs from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Module - 5

Regulatory Aspects in Insurance



Notes

INCOME TAX PROVISIONS RELATED TO INSURANCE INDUSTRY

- b) To prevent insurers from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.
 - c) To prevent policyholders from being used, intentionally or unintentionally, by insurers for money laundering
 - d) To state provisions to open bank accounts for criminal elements
7. Which of the following is not the key element of KYC policy?
- a) Customer Acceptance Policy (CAP)
 - b) Customer Identification Procedures (CIP)
 - c) Monitoring of Transaction
 - d) Combating Financing of Terrorism
8. Under Combating Financing of Terrorism head of master circular, which of the following is true?
- a) Banks/FIs should ensure that they do not have any account in the name of individuals/entities appearing in the lists circulated by United Nations.
 - b) Details of accounts resembling any of the individuals/entities in the list should be reported to Financial Intelligence Unit.
 - c) The Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by the entities listed by United Nations.
 - d) All of the above



WHAT YOU HAVE LEARNT

In Income Tax Act, the special consideration has been given to both life insurer and insured to popularize insurance. The premium paid by the insured also gets the benefits by reducing his income as a result his tax liability also reduces. It is obligatory on the part of the insurance companies to disclose clearly the benefits, terms and conditions under the policy. Reserve for unexpired risks means provision of claims has been made on the general insurance policies who has not expired but claim may arise in future or the next financial year. As per the 'The Insurance Laws (Amendment) Act, 2015 only companies registered under The Companies Act, 2013 can start the Insurance business. The normal income tax rate will be applicable to life insurers is 12.5%. The



Notes

payment of premium up to Rs 1.5 lakhs can be reduced from the taxable income of an individual under section 80C of the Income Tax Act 1961. The payment of premium on health insurance can be reduced from the taxable income of an individual up to Rs 25000/- (Rs 50000/- for senior citizen) under section 80D of The Income Tax Act, 1961. The objective of protection of policyholders' interest is to ensure that interests of insurance policyholders' are protected; to ensure that insurers, distribution channels and other regulated entities fulfil their obligations towards policyholders and have in place standard procedures and best practices in sale and service of insurance policies; and to ensure policyholder-centric governance by insurers with emphasis on grievance redressal. Money Laundering is the process by which criminals transfer funds to conceal the true origin and ownership of the proceeds of criminal activities. By this process, money can lose its criminal identity and appear valid. The objective of the master circular released in July 2015 by RBI was to provide KYC/AML/CFT guidelines to prevent banks/FIs from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The four key elements of KYC are - Customer Acceptance Policy (CAP), Customer Identification Procedures (CIP), Monitoring of Transaction and Risk Management. Under Combating Financing of Terrorism head of master circular banks/FIs should ensure that they do not have any account in the name of individuals/entities appearing in the lists circulated by United Nations.



TERMINAL QUESTIONS

1. Discuss Income tax provisions related to Life Insurer, General Insurer, Business organization and Individuals
2. Write short notes on :
 - a) Different methods of receipt of premium
 - b) Combating financing of terrorism.
3. Discuss the Protection of Policy holder interest in detail.
4. Explain Anti Money Laundering and KYC Guidelines.



ANSWERS TO INTEXT QUESTIONS

5.1

1. 5
2. Correct

Module - 5

Regulatory Aspects in Insurance



Notes

5.2

3. 12.5%
4. Rs 25,000/-
5. (d) 1.5 lakh
6. (b) 50000

1. (a) 10
2. (d) All of the above
3. (d) All of the above
4. (d) All of the above
5. (b) 2002
6. (a) To prevent banks/FIs from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.
7. (d) Combating Financing of Terrorism
8. (d) All of the above



WHAT YOU HAVE LEARNT

After studying this chapter, you are able :

- To explain the benefits of Insurance to the client in terms of reducing the tax liability and assist them in choosing the method of premium payment
- To implement the Anti Money Laundering and Know Your Customer Guidelines while dealing with clients.

**6**

GRIEVANCE REDRESSAL MECHANISM

6.0 INTRODUCTION

Today, the expectations of customers are increasing and the industry is suffering badly in terms of malpractices in the industry, customer dissatisfaction and poor image of the agents or some other intermediaries. Customer orientation or customer centricity should be the foremost agenda for every insurer so as to remain competitive in the current arena. For this, insurers should focus on reducing the level of customers' complaints. And in case, any customer reports complaints, that should be resolved as soon as possible. Complaints can be of different types, i.e. it may be related to the product or a service; service delivery; matter related to pricing; any malpractices by the intermediaries; frauds by salesman; misleading advertisements; related to claims settlement and so on. Because of these reasons, a strong grievance redressal mechanism is required by which these complaints could be resolved. In this chapter, you will understand the grievance redressal mechanism and the ways by which the complaints or grievances of the customers could be resolved.



6.1 OBJECTIVES

After reading this lesson, you will be able to:

- Explain the meaning of a 'Complaint or Grievance'
- Describe the Grievance Redressal Mechanism in Insurance
- Summarize the important features of The Consumer Protection Act, 1986
- Compare the functioning of Consumer disputes redressal agencies



Notes

6.2 MEANING OF COMPLAINT OR GRIEVANCE

As per the Insurance Regulatory and Development Authority of India (Protection of Policyholders' Interests) Regulations, 2017, "Complaint" or "Grievance" means "Any written expression (includes communication in the form of electronic mail or other electronic scripts), of dissatisfaction by a complainant with insurer, distribution channels, intermediaries, insurance intermediaries or other regulated entities about an action or lack of action about the standard of service or deficiency of service of such insurer, distribution channels, intermediaries, insurance intermediaries or other regulated entities."

An inquiry or request of any type related with a service would not fall within the definition of the "complaint" or "grievance".

6.3 GRIEVANCE REDRESSAL PROCEDURE

1. Raise a Complaint

A complainant (Person with a complaint) who wishes to file a complaint against the service provider i.e. an insurer, insurance intermediary, distribution channel or other regulated entities involved in during the insurance sales and services shall approach the respective grievance redressal officer of the insurer. If the insurer (insurance company) fails to deal with the complaint within 15 days of receipt of complaint or if the solution offered by the insurer is not acceptable to the complainant, he may register a complaint in grievance redressal management system of the IRDAI.

2. Complaint Escalation

The complainant/aggrieved policyholder can register a complaint with the Grievance Redressal Cell of the Consumer Affairs Department (CAD) of IRDAI. The complainant can call a toll free number 155255 (or) 1800-4254-732. Alternatively, an email can be sent to complaints@irda.gov.in

3. Documents

The complaint registration form has to be downloaded and filled. The filled form has to be sent with necessary enclosures to: General Manager, Insurance Regulatory and Development Authority of India (IRDAI), Consumer Affairs Department - Grievance Redressal Cell.



Notes

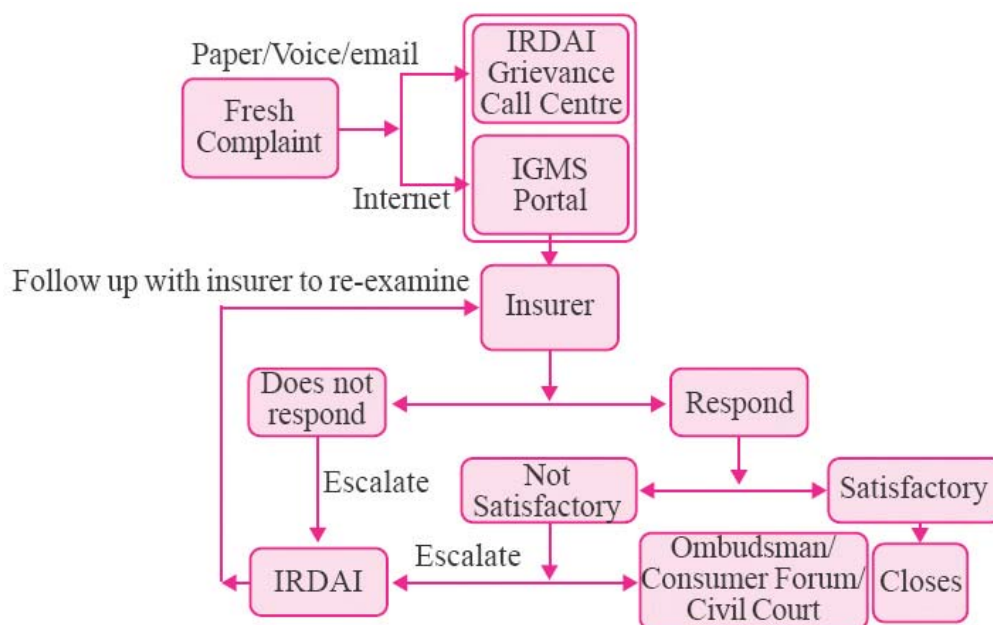


Figure 6.1: Grievance Redressal Mechanism of IRDAI

4. **Process:** On the receipt of the complaint, a token number will be issued to the complainant and the complaint will be forwarded to the insurance company to re-examine the case. The insurance company has to respond within two weeks of the receipt of complaint. If the response is not satisfactory, the complaint will be forwarded to the insurance ombudsman or the consumer forum or the civil court based on the nature of the complaint.
5. **Integrated Grievance Management System (IGMS):** The complainant can also use the IRDAI's online portal - Integrated Grievance Management System (IGMS) for registering and monitoring the complaint. A fresh complaint can be made or escalated by visiting <https://igms.irda.gov.in/>. Integrated Grievance Management System (IGMS) is a central repository for the data related to the grievances of the Insurance industry and as a tool for monitoring grievance redresses in the industry.



INTEXT QUESTIONS 6.1

1. _____ means a written expression of dissatisfaction by a complainant about an action or lack of action about the standard of service or deficiency of service of the service-provider.
 - a) Request
 - b) Enquiry
 - c) Complaint
 - d) Dispute



Notes

2. What is the full form of IGMS.
 - a) Intelligent Grievance Management System
 - b) Integrated General Management System
 - c) Integrated Grievance Management System
 - d) Insurance General Management System
3. Which of the following parties shall be approached initially while raising a complaint?
 - a) Insurance Ombudsman
 - b) Grievance Redressal Officer of Insurer
 - c) Consumer Forum
 - d) Grievance Redressal Cell of IRDAI

6.4 THE CONSUMER PROTECTION ACT, 1986

This Act was passed “to provide for better protection of the interest of consumers and to make provision for the establishment of consumer councils and other authorities for the settlement of consumers’ disputes”. This Act has been amended by the Consumer Protection (Amendment) Act, 2002.

As per the act, “Consumer” means any person who-

- (i) “buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose”;
- or
- (ii) “hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who ‘hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such



services are availed of with the approval of the first mentioned person *but does not include a person who avails of such services for any commercial purposes*.

Explanation. For the purposes of this clause, “commercial purpose” does not include use by a person of goods bought and used by him and services availed by him exclusively for the purposes of earning his livelihood by means of self-employment;

In simple words, Consumer is any person who bought any goods or services for a consideration and will include any other user who is allowed by him to use such goods and services.

“Complainant” means any person who is making a complaint who can be

- (i) a consumer; or
- (ii) any voluntary consumer association registered under the Companies Act, or under any other law for the time being in force; or
- (iii) the Central Government or any State Government,
- (iv) one or more consumers having the same or similar interest;
- (v) legal heir or representatives in case of death of a consumer.

“Complaint” means any allegation in writing made by a complainant for

- (i) an unfair trade practice or a restrictive trade practice adopted by any trader or service provider;
- (ii) a defective product
- (iii) deficiency in services
- (iv) a trader or service provider for charging price in excess of the price which is fixed by the law, or displayed on the package of goods, or displayed on any price list displayed by trader or agreed between the parties.
- (v) sale of hazardous goods and services which are hazardous or likely to be hazardous to life and safety of the public.

“Consumer dispute” means a dispute where the person against whom a complaint has been made, denies or disputes the allegations contained in the complaint.

- a) **Consumer Disputes Redressal Agencies:** “Consumer disputes redressal agencies” are established in each district, state and at national level.



Notes

- i. **District Forum:** District forum has jurisdiction to entertain complaints, where value of the goods or services and the amount of compensation claimed is up to Rs.20 lakhs. The District Forum is empowered to send its order/ verdict for execution to appropriate civil court.
- ii. **State Commission:** This redressal authority has original, appellate and supervisory jurisdiction. It entertains appeals from the District Forum. It also has original jurisdiction to entertain complaints where the value of goods or service and compensation, if any claimed exceeds Rs. 20 lakhs but does not exceed Rs. 100 lakhs (Rs. 1 Crore). Other powers and authority are similar to those of the District Forum.
- iii. **National Commission:** The final authority established under the Act is the National Commission. It has original, appellate as well as supervisory jurisdiction. It can hear the appeals from the order passed by the State Commission and in its original jurisdiction it will entertain disputes, where goods or services and the compensation claimed exceeds Rs.100 lakhs (Rs. 1 Crore). It has supervisory jurisdiction over State Commission.

All the three agencies have powers of a civil court.

District Forum	- Established by State Government in each District - Complains where the value of goods/ services & the compensation, if any, claimed doesn't exceed Rs. 20 Lakhs
State Commission	- Established by State Government in a state - Complains where the value of goods/ services & the compensation, if any, claimed exceeds Rs. 20 Lakhs but doesn't exceed Rs. 1 Crore - Appeals against the orders of any District Forum within the state
National Commission	- Established by Central Government by Notification - Complains where the value of goods/ services & the compensation, if any, claimed exceeds Rs. 1 Crore - Appeals against the orders of any State Commission

- b) **Procedure for filing a complaint:** The procedure for filing a complaint is very simple in all above three redressal agencies. There is no fee for filing a complaint or filing an appeal whether before the State Commission or National Commission. The complaint can be filed by the complainant himself or by his authorized agent. It can be filed personally or can even be sent by post. It may be noted that no advocate is necessary for the purpose of filing a complaint.
- c) **Consumer Forum Orders:** If the forum is satisfied that the goods complained against suffer from any of the defects specified in the complaint or that any of the allegations contained in the complaint about the services are proved, the forum can issue an order directing the opposite party to do one or more of the following namely,



- i. To return to the complainant the price, (or premium in case of insurance), the charges paid by the complainant
 - ii. To award such amount as compensation to the consumers for any loss or injury suffered by the consumer due to negligence of the opposite party
 - iii. To remove the defects or deficiencies in the services in question
 - iv. To discontinue the unfair trade practice or the restrictive trade practice or not to repeat them
 - v. To provide for adequate costs to parties
- d) **Nature of complaints:** The majority of consumer disputes with the three forums fall in the following main categories as far as insurance business are concerned
- i. Delay in settlement of claims
 - ii. Non-settlement of claims
 - iii. Rejection of claims
 - iv. Quantum of loss
 - v. Policy terms and conditions etc.



INTEXT QUESTIONS 6.2

1. The _____ has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs. 20 lakhs.
 - a) District Forum
 - b) State Commission
 - c) Zilla Parishad
 - d) National Commission
2. _____ is a situation where the person against whom a complaint has been made, denies or disputes the allegations contained in the complaint.
 - a) Request
 - b) Enquiry
 - c) Complaint
 - d) Dispute



Notes

3. Which of the following consumer grievance redressal agencies would handle consumer disputes amounting between Rs. 20 lakhs and Rs. 100 lakhs?
 - a) District Forum
 - b) State Commission
 - c) National Commission
 - d) Zilla Parishad
4. Which among the following cannot form the basis for a valid consumer complaint?
 - a) Seller charging a price in excess of the MRP for a product
 - b) Seller not advising the customer on the best product in a category
 - c) Selling a good which will be hazardous to life
 - d) Faulty products

6.5 INSURANCE OMBUDSMAN

The institution of Insurance Ombudsman was created by the Government of India under the redressal of Public grievances Rules, 1978, notified in official Gazette, on 11th November 1998. The governing Body of Insurance Council (GBIC) consisting of one representative from each Insurance Company (both life and general) appoints Insurance Ombudsman who are drawn from the civil services, Judiciary and Insurance Industry. This Institution was created for aggrieved policy holders to have their complaints settled out of the courts system in a cost effective, impartial and speedy way.

There were 17 Insurance Ombudsman in different locations in the year 2019 and any person who has a grievance against an insurer, may himself or through his legal heirs, nominee or assignee, make a complaint in writing to the Insurance ombudsman within whose territorial jurisdiction the branch or office of the insurer complained against or the residential address or place of residence of the complainant is located.

One can approach the Ombudsman with complaint if:

- You have first approached your insurance company with the complaint and
 - ◆ They have rejected it
 - ◆ Not resolved it to your satisfaction or
 - ◆ Not responded to it at all for 30 days



- Your complaint pertains to any policy you have taken in your capacity as an individual and
- The value of the claim including expenses claimed is not above Rs 30 lakhs.
- The complaint is made within one year from the date of rejection by the insurance company.
- The complaint is not pending in any Court or Consumer Forum or in arbitration.

A complaint to the Ombudsman can be about:

- a) Delay in settlement of claims, beyond the time specified in the regulations, framed under the IRDAI Act, 1999.
- b) Any partial or total denial of claims by the Life insurer, General insurer or the Health insurer.
- c) Any dispute about premium paid or payable in terms of insurance policy
- d) Misrepresentation of policy terms and conditions at any time in the policy document or policy contract.
- e) Legal construction of insurance policies in so far as the dispute relates to claim
- f) Policy servicing related grievances against insurers and their agents and intermediaries.
- g) Issuance of life insurance policy, general insurance policy or a health insurance policy which is not in conformity with the proposal form submitted by the proposer.
- h) Non issuance of insurance policy after receipt of premium in life insurance, general insurance and health insurance and
- i) Any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f)

The settlement process:

Recommendation:

- The Ombudsman will act as mediator and will arrive at a fair recommendation based on the facts of the dispute.
- If you accept this as a full and final settlement, the Ombudsman will inform the company which should comply with the terms in 15 days

Module - 5

Regulatory Aspects in Insurance



Notes

GRIEVANCE REDRESSAL MECHANISM

Award:

- If a settlement by recommendation does not work, the Ombudsman will Pass an award within 3 months of receiving all the requirements from the complainant and which will be binding on the insurance company

Once the Award is passed, the Insurer shall comply with the award within 30 days of the receipt of award and intimate the compliance of the same to the Ombudsman.

Disposal of Complaints by Insurance Ombudsmen 2017-18

Insurer	Complaints outstanding as on 01.04.2017	Received during 2017-18	Total	Complaints disposed during 2017-18	No. of Complaints disposed by way of				Complaints outstanding as on 31.03.2018
					Recommendations / Awards	Withdrawal/ Settlement	Dismissal	Non-acceptance/ Not-entertainable	
Life	1376	13419	14795	9475	1137 (12%)	567 (6%)	452 (5%)	7319 (77%)	5320
General	954	12059	13013	7750	1082 (14%)	734 (9%)	475 (6%)	5459 (70%)	5263
Combined	2330	25478	27808	17225	2219	1301	927	12778	10583

Source: IRDAI Annual Report 2017-18

Disposal Of Complaints By Insurance Ombudsmen 2018-19

Insurer	Complaints as on outstanding 01.04.2018	Received during 2018-19	Total	Complaints disposed during 2018-19	No. of Complaints disposed by way of						Complaints outstanding as on 31.03.2019
					Recommendations	Awards	Withdrawal	Non-acceptance	Dismissal awards favoring Ins. Co.	Non-entertainable	
Life	5320	11859	17179	12103	501 (4.14%)	2980 (24.62%)	744 (6.15%)	0	1392 (11.50%)	6486 (53.59%)	5076
General	5263	10805	16068	9864	328 (3.33%)	2845 (28.84%)	945 (9.58%)	0	1338 (13.56%)	4408 (44.69%)	6204
Combined	10583	22664	33247	21967	829 (3.77%)	5825 (26.52%)	1689 (7.69%)	0	2730 (12.43)	10894 (49.59%)	11280

Source: IRDAI Annual Report 2018-19

The above two tables show how the total complaints (outstanding at the beginning of

year + received during the year) were disposed of by the Insurance Ombudsman during 2017-18 and 2018-19.

6.6 INTEGRATED GRIEVANCE MANAGEMENT SYSTEM (IGMS)

The Integrated Grievance Management System (IGMS) is not only a gateway for registering and tracking grievances online but also act as an industry-wide grievance repository for IRDAI to monitor disposal of grievances by insurers. The Integrated Grievance Management System (IGMS) was launched by the IRDAI in the year 2010.

Policyholders who have grievances should register their complaints with the Grievance Redress Channel of the Insurance Company first. If policyholders are not able to access the insurance company directly for any reason, IGMS provides a gateway to register complaints with insurance companies.

IGMS is a comprehensive solution which not only has the ability to provide a centralized and online access to the policyholder but complete access and control to IRDAI for monitoring market conduct issues of which policyholder grievances are the main indicators. IGMS has the ability to classify different complaint types based on pre-defined rules. The system has the ability to assign, store and track unique complaint IDs. It also sends intimations to various stakeholders as required, within the workflow. The system has defined target Turnaround Times (TATs) and measures the actual TATs on all complaints. IGMS sets up alerts for pending tasks nearing the laid down Turnaround Time. The system automatically triggers activities at the appropriate time through rule based workflows.

A complaint registered through IGMS will flow to the insurer's system as well as the IRDAI repository. Updating of status will be mirrored in the IRDAI system. Thus IGMS provides a standard platform to all insurers to resolve policyholder grievances and provides IRDAI with a tool to monitor the effectiveness of the grievance redress system of insurers.



INTEXT QUESTIONS 6.3

1. Which of the following will be the most appropriate way of lodging an insurance policy related complaint for a customer?
 - a) Police
 - b) Supreme Court



Notes

Module - 5

Regulatory Aspects in Insurance



GRIEVANCE REDRESSAL MECHANISM

- c) Ombudsman
 - d) High Court
2. Which of the following agency appoints Insurance Ombudsman?
- a) Supreme Court
 - b) Governing Body of Insurance Council (GBIC)
 - c) District Forum
 - d) Insurance Companies
3. A person can file a grievance against an insurer with the help of:
- a) Himself
 - b) Through his legal heirs
 - c) Through his nominee or assignee
 - d) All of the above
4. One can approach the Ombudsman with a complaint if the insurer:
- a) Has rejected the initial complaint
 - b) Has not resolved the complaint to his satisfaction
 - c) Has not responded to the complaint at all for 30 days
 - d) All of the above
5. The Ombudsman acts as a mediator and arrives at a fair recommendation based on _____
- a) The Insurer's recommendations
 - b) The facts of the dispute
 - c) His own decision
 - d) None of the above
6. Which among the following is the time limit for approaching an Insurance Ombudsman?
- a) Within 2 years of rejection of the complaint by the insurer
 - b) Within 3 years of rejection of the complaint by the insurer

- c) Within 1 year of rejection of the complaint by the insurer
 - d) Within 1 month of rejection of the complaint by the insurer
7. Which of the following statement is true with respect to the Integrated Grievance Management System (IGMS)?
- a) It is a gateway for registering and tracking grievances online
 - b) It acts as a repository for IRDAI to monitor disposal of grievances by insurers
 - c) Both of the above
 - d) None of the above



WHAT YOU HAVE LEARNT

Complaint means a written expression of dissatisfaction by a complainant about an action or lack of action about the standard of service or deficiency of service of the service provider. A complainant who wishes to make a complaint against insurer, intermediary, insurance intermediary, distribution channel or other regulated entities involved in insurance sales and services shall approach the respective grievance redressal officer of insurer. If the Insurer doesn't respond within 15 days or the solution offered by the insurance company is not acceptable to the complainant, he may approach other agencies like grievance redressal management system of the IRDAI, Insurance ombudsman, consumer forums or civil courts. IRDAI has launched an Integrated Grievance Management System (IGMS) which acts as a central repository of insurance grievance data and as a tool for monitoring grievance redress in the industry. Consumer disputes redressal agencies are established in each district and state and at national level. The Ombudsman, by mutual agreement of the insured and the insurer can act as a mediator and counsellor within the terms of reference. If the dispute is not settled by intermediation, the Ombudsman will pass award to the insured which he thinks is fair, and is not more than what is necessary to cover the loss of the insured.



TERMINAL QUESTIONS

1. Download the latest Annual report of IRDAI and identify the major types or categories of Complaints against life and non-life insurers.
2. Identify the number of complaints disposed of in both Life and non-life insurance by the Insurance ombudsman.



Module - 5

Regulatory Aspects in Insurance



Notes

GRIEVANCE REDRESSAL MECHANISM

3. Explain the procedure of Grievance Redressal in Insurance Industry in India.
4. Highlight the important features of The Consumer Protection Act, 1986
5. Explain the features of different consumer disputes redressal agencies, i.e. District Forum, State Commission and National Commission.



ANSWERS TO INTEXT QUESTIONS

6.1

1. (c) Complaint
2. (c) Integrated Grievance Management System
3. (b) Grievance Redressal Officer of Insurer

6.2

1. (a) District Forum
2. (d) Dispute
3. (b) State Commission
4. (b) Seller not advising the customer on the best product in a category

6.3

1. (c) Ombudsman
2. (b) Governing body of Insurance Council (GBIC)
3. (d) All of the above
4. (d) All of the above
5. (b) The facts of the dispute
6. (c) Within one year of rejection of the complaint by the insurer
7. (c) Both of the above



LEARNING OUTCOMES

After reading this chapter, students will be able:

- To explain the grievance redressal mechanism in Insurance to the client
- To suggest the ways by which a complaint or grievance of the customers shall be reported to different agencies.

**7**

ENERGY/ELECTRICITY CONSERVATION

7.0 INTRODUCTION

Electricity is an essential part of modern life and important for any economy. We use electricity for various purposes like lighting, heating, cooling, and refrigeration. It is required for operating appliances, computers, electronics, machinery, and public transportation systems. You must have seen a shortage of electricity in your area or state as there are many uses of it. We should conserve electricity both at our homes and at our workplaces. But the question is how? Let us understand the basics of electricity and the ways of conserving electricity at our workplaces in this chapter.



7.1 OBJECTIVES

After reading this lesson, you will be able to:

- Define electricity
- Discuss the basics of electricity
- List the energy-efficient devices that are used in the job
- List the benefits of using energy-efficient appliances at the workplace
- Discuss the ways to identify electrical problems that can arise during work
- Discuss the standard practices to be followed for conserving electricity in the job
- State the impact of improperly connected electrical equipment and appliances on the tasks being performed



Notes

7.2 WHAT IS ELECTRICITY?

In simple words, 'Electricity' is the flow of electrical power or charge. Electricity is popularly known as electric current or power. Electricity is a basic part of nature and one of the most widely used forms of energy. Electricity is present in nature in the form of lightning in a thunderstorm. Electricity is widely used all around us in powering technology like our cell phones, computers, tube lights, air conditioners, and many other electronic gadgets that we use in our daily life.

All the factories, manufacturing units, and offices also require electricity for lighting the rooms, powering the fans, air conditioners, lifts, computers, coffee vending machines, etc. No modern organization can work without electricity as we are so much dependent on it. Imagine if you don't have electricity for a day in the summers, how difficult it would be for us as no fans would be working, there would be no lighting in your house, and no electronic gadgets would be working. Thus, we can say electricity has become an important part of our daily lives.

7.3 BASICS OF ELECTRICITY

The three most basic components of electricity are voltage, current, and resistance.

Voltage is the pressure from an electrical circuit's power source that pushes charged electrons (current) through a conducting loop, enabling them to do work such as illuminating light. In brief, voltage = pressure, and it is measured in volts (V).

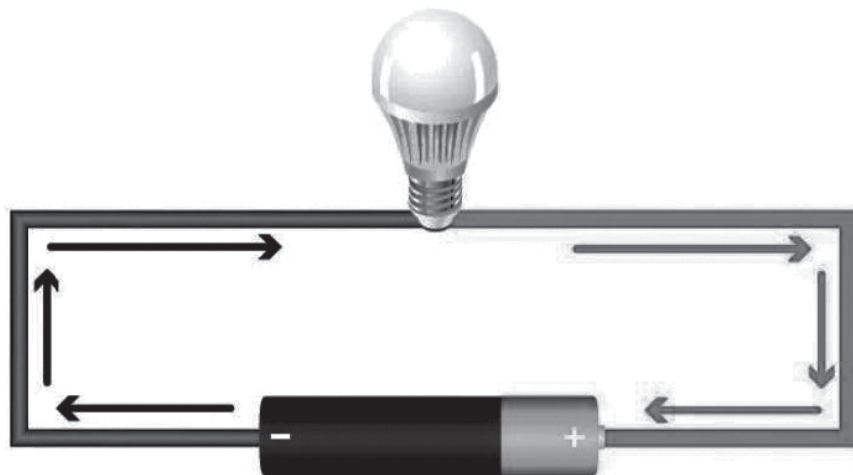


Figure 7.1: Voltage

Current is the rate at which electrons flow past a point in a complete electrical circuit. At its most basic, current = flow. An ampere, or amp, is the international unit used for measuring current. It expresses the number of electrons (sometimes called "electrical

charge”) flowing past a point in a circuit over a given time. Current is usually denoted by the symbol (I)

A current of 1 ampere means that 1 coulomb of electrons—that’s 6.24 billion billion (6.24×10^{18}) electrons—is moving past a single point in a circuit in 1 second. The calculation is similar to measuring water flow: how many gallons pass a single point in a pipe in 1 minute (gallons per minute, or GPM).

Resistance is a measure of the opposition to current flow in an electrical circuit. Resistance is measured in ohms, symbolized by the Greek letter omega (Ω)

All materials resist current flow to some degree. They fall into one of two broad categories:

- a) **Conductors:** Materials that offer very little resistance where electrons can move easily. Examples: silver, copper, gold, and aluminum.
- b) **Insulators:** Materials that present high resistance and restrict the flow of electrons. Examples: Rubber, cloth, paper, glass, wood, and plastic.

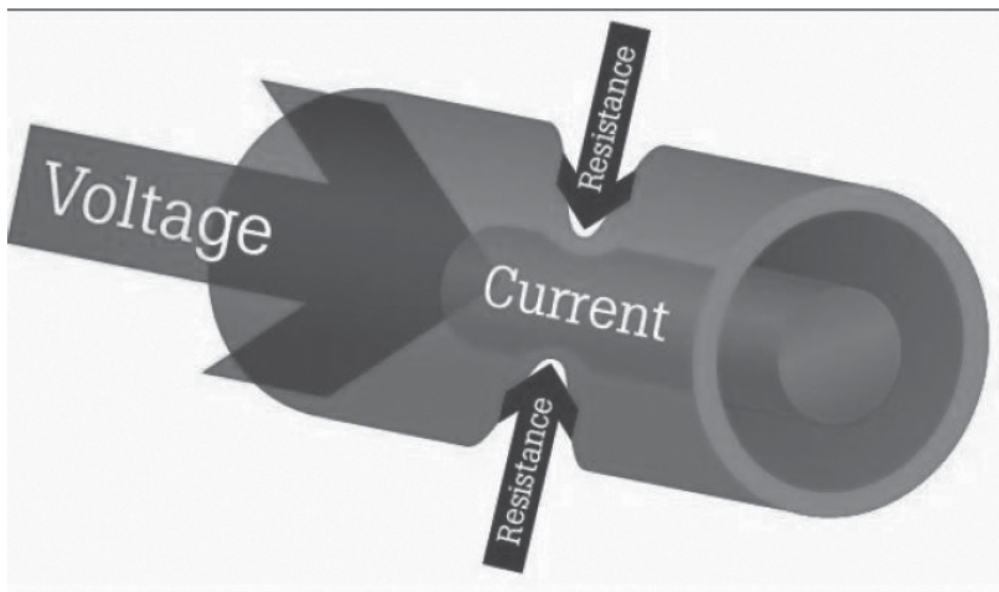


Figure 7.2: Voltage, Current, and Resistance

Voltage, current, and resistance are all related. If you change one of them in a circuit, the others will change, too. Specifically, voltage is equal to current multiplied by resistance ($V = I \times R$). This is known as Ohm’s law.



Notes



Notes



INTEXT QUESTIONS 7.1

1. 'Electricity' is the flow of _____
 - a) Light
 - b) Electrical power or charge
 - c) Voltage
 - d) Resistance.
2. Which of the following is among the basic components of electricity?
 - a) Voltage
 - b) Current
 - c) Resistance
 - d) All of the above
3. Which of the following is true with respect to the concept of electricity?
 - a) 'Electricity' is the flow of electrical power or charge
 - b) 'Electricity' is one of the most widely used forms of energy
 - c) Electricity is present in nature
 - d) All of these

7.4 BENERGY-EFFICIENT DEVICES USED AT THE WORKPLACE

As consumers and business organizations look for energy-saving products or devices, manufacturers are offering more “green” devices than ever before. Energy-efficient devices help the environment and save money. Some of the energy-efficient devices that are used by business organizations are:

1. LED Lightning

LED Lights or bulbs are one of the most energy-efficient lights that are being used by business organizations. LED lights or bulbs are having a long lifespan when compared with traditional lighting solutions. The average LED lasts 50,000 operating hours to 100,000 operating hours or more. LED lights or bulbs offer the brightest light for the least money as these are more energy-efficient and



consume less electricity. An LED light bulb that has earned the 'Energy Star' label uses up to 90% less energy than a normal bright light bulb while providing the same illumination.

2. Solar Panels

Solar Panels are getting popular these days among business organizations as well as among consumers. Aside from being a great source of renewable energy, solar panels are clean, longer-lasting, and require little maintenance. One of the limitations of Solar panels is that they might be costly initially at the time of installation. But with the amount of energy and money you save, it pays off sooner than you think. Business organizations having good space and exposure to sunlight are getting these solar panels installed as it produces a good amount of electricity.

3. Five-Star Rating Appliances

New appliances are fitted with Energy Star Rating Labels that show you how energy efficient each one is. Higher the star ratings, the more energy-efficient that appliance would be. For example, A 5 Star AC of 1.5 tons would be more energy efficient when compared with 3 Star AC of 1.5 tons of the same brand. Business organizations can buy appliances like AC, fridges, and other appliances with higher Star ratings to save electricity.

4. Laptops

Generally, laptops consume much less energy than desktop computers because laptops operate using a battery; therefore, designed to be more power-efficient. Laptop computers consume up to 80 percent less electricity than desktop computers. Another advantage of a laptop is that it can be easily carried from one place to another. That is the reason, many business organizations prefer choosing laptops over desktops.

5. Motion Sensor Lights

Motion Sensor Lights are lights in which if the motion sensor detects an object moving across its field of view especially warmer objects such as people, animals, and cars, it electronically turns on the lights. Organizations are using sensors-based lights, especially in washrooms, lifts, stairs, parking areas, and other areas to save a lot of electricity.



Notes

7.5 BENEFITS OF ENERGY EFFICIENT APPLIANCES

Some of the main benefits of energy-efficient appliances include:

1. Energy Savings

Energy-efficient appliances can help in saving a lot of energy as these devices consume the minimum amount of energy and help in energy conservation. This conserved energy can then be used for a different purpose in the home or at the workplace.

2. Money Savings

By saving energy, these appliances also work toward reducing energy bills and saving a lot of money. Buying energy-efficient appliances, making energy-efficient home improvements, and taking energy-efficient actions every day can save you thousands of rupees.

3. Environmentally Friendly

Using energy-efficient appliances helps in minimizing the exploitation of natural resources, such as natural gas, oil, coal, and water. Energy efficiency works to enhance the conservation of these resources as a way to achieve sustainable development. Energy-efficient appliances can also help in controlling pollution because appliances that utilize water, oil, coal, and natural gas can lead to water, soil, and air pollution through industrial effluents and emissions.



INTEXT QUESTIONS 7.2

1. 'LED lights or bulbs consume more electricity when compared with a normal light or bulb'
 - a) True
 - b) False
2. A 5 Star AC of 1.5 tons would be more energy efficient when compared with 3 Star AC of 1.5 tons of the same brand.
 - a) True
 - b) False



3. Laptop computers consume up to _____ less electricity than desktop computers.
 - a) 10 percent
 - b) 20 percent
 - c) 40 percent
 - d) 80 percent
4. Which of the following object a motion sensor can detect?
 - a) Human
 - b) Animals
 - c) Cars
 - d) All of these
5. Which of the following is the benefit of energy-efficient appliances?
 - a) It can help you save energy
 - b) It is environmentally friendly
 - c) It can help you save money
 - d) All of these

7.6 IDENTIFICATION OF ELECTRICAL PROBLEMS AT THE WORKPLACE

It is very important for each one of us to know what are the various electrical problems at the workplace and how we can identify them for the safety of ourselves as well as others. Some of the electrical problems and ways to identify them are discussed below:

1. Odd or Unfamiliar Smell

An odd or unfamiliar smell coming from the appliances, electrical outlet, or fuse box can be a sign of overload or burning or melting wires. If you detect an odd smell coming from an electrical outlet, you should immediately unplug anything connected to it. A qualified electrician should be called to check it. Similarly, if your fuse box is emitting an odd odor, call an electrician immediately. Sometimes, the source of the odd smell or smell of burning wires is not detectable, in that



case also inform your management and call an electrician to get it checked to avoid any mis happenings.

2. Warm or Sparking Outlets and Switches

If your light switches are warm to the touch or an outlet is sparking, call a professional electrician immediately to see if your wiring needs repairs or if the switches should be replaced. If you hear any buzzing sound or a sound of a spark while turning on or off the switch or while plugging a charger or any other device into an outlet, you should immediately turn off the power and consult a professional electrician.

3. Blinking or Flickering Lights

Blinking or flickering lights usually indicate a power surge. These power surges don't necessarily have to come from a catastrophic event like an earthquake or a thunderstorm but are more likely because of an overload because of your appliances that are making demands on the electrical system that it cannot handle. Power surges happen when there is a massive spike in your electrical system's current. They only last about a fraction of a second but can cause lifelong damage to any outlets or plugged-in appliances. If you observe frequent light flickering at your workplace, you should report it to the management and consult a professional electrician for upgrading the wiring and load in your workplace.

4. Broken Light Switches and Loose Outlets

If some switches or outlets at your workplace or workstation stop working or work occasionally, it could be a sign of loose wiring and another potential fire hazard. Loose or broken outlets also create a potential for electrical shock. Even if a switch or an outlet is partially broken, it could shock an unsuspecting individual who is plugging in or unplugging a cord. The same should be repaired with the help of an electrician.

5. Frequent Tripping of Fuses or Circuit Breakers

Circuit breakers are designed to trip when a circuit is overloaded. Generally, MCBs or miniature circuit breakers are used at the workplace that can trip in case of an overload. Tripping of the circuit breakers prevents overheating and eliminates fire hazards. Occasional tripping can be because of a simple overload, but if it occurs repeatedly, it can be a sign of continuous overload or faulty wires. You should call a professional electrician to get it checked.



Figure 7.3: Miniature Circuit Breaker (MCB)

6. Electrical Shocks

An electrical shock can be a horrible experience for anyone. Even though they are usually pretty mild but remind us that electricity is dangerous when not properly utilized. Electrical shocks typically happen when you turn a device on or off. The issue could be with the appliance, or it could be in the wiring. If you or anyone at your workplace gets an electric shock due to some appliances or while turning the device on or off, you should immediately call an electrician to get it checked. By this, you can save yourself and your office colleagues from getting another shock.

7. Uncovered Panel Box or Junction Box

Panel boxes and Junction boxes contain a lot of wires that are connected to each other and are designed to keep one section of wires away from the other. The panel box generally has the controls whereas the junction box is an enclosure used for the interconnection of cables between field devices and the control panel. These boxes help in protecting the wires from getting damaged. An uncovered box increases the chances of an electric shock. If you notice uncovered panel boxes or junction boxes, you should immediately call an electrician to get them covered.



Figure 7.4: Panel Box

Regulatory Aspects in Insurance



Notes

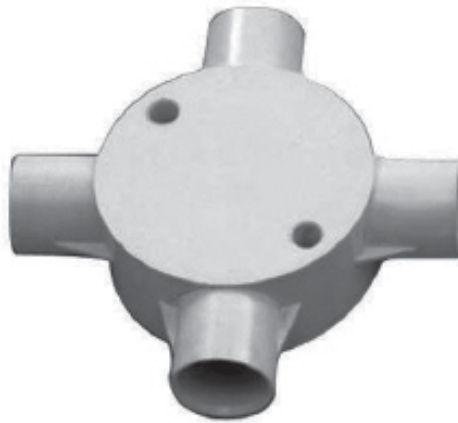


Figure 7.5: Junction Box

8 Backstabbed Wires

Backstabbed wires are wires with holes and cuts in them thus exposing live wires and increasing the chances of electric shock if someone comes in direct contact with them. Rats generally bite the outer layer of the wires which makes it dangerous for others as it increases the chances of electric shock. You should call an electrician to get the cuts and holes covered with tapes. It is always better to get a new wire fixed as covering the wire with tape is a temporary solution. The situation can become hazardous when the tape comes off.

9. Heavy Reliance on Extension Cords and Multiplugs

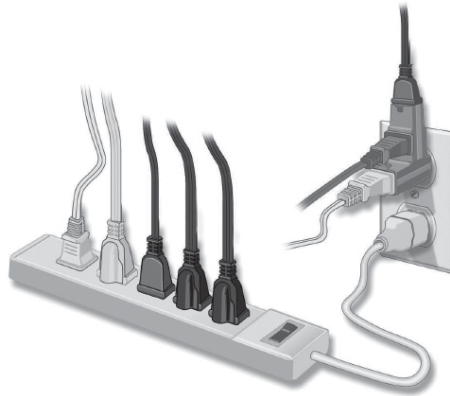


Figure 7.6: Heavy reliance on extension cords and Multiplugs

If you have few plugs for providing electric supply to your devices, you may generally use a Multiplug or an extension cord. But heavy reliance on extension cords and multi plugs can prove to be hazardous at your workplace. It can damage both the appliances and plugs. It is always better to add more outlets. You can request a professional electrician to get it done for you.



7.7 ELECTRICITY CONSERVATION AT WORKPLACE

It is very important to save and conserve electricity at our workplaces as it can help you save money as well as contributes to the environment. Organizations should use some standard practices that can be followed for conserving electricity at the workplace:

1. Switch off lights and equipment when not in use

You should always switch off lights when not in use to save electricity, especially in your washrooms. If not in use, switch off the lights in meeting rooms, pantry, reception, corridors, or stairs. Just like with lights, make sure that you switch off and plug out all equipment when not in use. It can help you save a lot of electricity. This includes air conditioners, coffee vending machines, microwaves, printers, copiers, and scanners during weekends or holidays. These electrical devices continue to drain power even if they are plugged in. This type of energy consumption can increase your annual electricity bills. We should unplug our Mobile phone chargers and laptop chargers when the battery is already charged or when not in use for saving electricity.

2. Use energy-efficient appliances

Energy-efficient devices should be used at the workplace to save energy. This will include using LED lights, solar panels, appliances with five-star ratings, laptops over computers, and motion sensor lights. You should replace old, inefficient equipment with those that have a high energy rating. Energy-efficient appliances are environmentally friendly and save money for your organization.

3. Use the hibernation feature on all computers and laptops

You should advise everyone to put their computers in hibernation mode if they take a break or go to a meeting. IT person at your workplace should change the settings of all the devices, i.e. computers and laptops to hibernate mode to save energy. The hibernation feature allows users to save existing work as it is and continue working at the exact same point upon return. Employees can set their computers to go into hibernation mode when they are inactive for several minutes.

4. Print only when necessary

You should advise your employees to avoid printing files that can be sent using emails. Aside from reducing paper wastage, this also helps cut the total amount of energy consumed by the printer. There are many ways you can share or store



Notes

important files today. With the help of pen drives, hard disks, emails, cloud storage, etc., you can store and share files at your workplace.

5. Switch off artificial lights and use natural light

Organizations should use more natural light at the workplace and should restrict or limit the use of Artificial lights for the dark areas in the workplace that are out of the sun's reach. Artificial lights consume power whereas natural light is free. Some modern buildings use smart windows to conserve energy and provide natural light at the workplace thus reducing the need for artificial lights.

6. Energy audits

An energy audit can help your organization measure the current energy efficiency and can help you identify ways to improve it. You will be able to understand whether you are consuming too much energy or the perfect amount to sustain your business. Multiple energy audits help you track your progress over time and make sure your energy-saving efforts are paying off.



INTEXT QUESTIONS 7.3

1. If you detect an odd smell coming from an electrical outlet or plug, what you should do?
 - a) Immediately unplug anything connected to it
 - b) Call an electrician to get it checked
 - c) Both of these
 - d) None of these
2. Circuit breakers are designed to trip when a circuit is _____
 - a) Normally loaded
 - b) Underloaded
 - c) Overloaded
 - d) None of these



3. Which of the following statement is true?
 - a) Heavy reliance on extension cords and multi plugs is ok at the workplace if we have few plugs or outlets for providing electricity
 - b) Heavy reliance on extension cords and multi plugs can damage both the appliances and plugs
 - c) Both of these
 - d) None of these
4. Which of the following should be practiced for conserving electricity at the workplace?
 - a) Switch off lights and equipment when not in use
 - b) Print only when necessary
 - c) Energy Audits
 - d) All of these

7.8 IMPACT OF IMPROPERLY CONNECTED ELECTRICAL EQUIPMENT AND APPLIANCES

Improperly connected electrical equipment and appliances at your workplace can be both hazardous and can affect your official tasks.

1. Damage to appliances and wires

Improperly connected electrical equipment and appliances can damage the wiring or the appliances. It may result in heating of switches, melting of wires, or can create severe damage to the electrical appliances.

2. Electric shocks

Improperly connected electrical equipment and appliances increase the chances of electrical shocks. To avoid any electrical shock at the workplace, one should always check whether the electrical equipment and appliances are properly connected.

3. Fires at your workplace

Improperly connected electrical equipment and appliances can also result in fire due to the sparking of plugs. Improperly connected electrical equipment and appliances are among one major reason why there were instances of fires at the workplace.



Notes

4. Can completely stop or delay your work

Damage to Appliances and wires at the workplace, instances of electric shocks, and Fires at your workplace can result in getting your work completely stopped or may create a delay in your work.

5. Affects productivity

Your productivity will be affected if your work gets delayed or stopped due to reasons like Damage to Appliances and wires, electric shocks, power being turned off till the time an electrician repairs or find the fault, or due to fire at your workplace.



ACTIVITY

Role play a situation on how to report equipment faults and maintenance lapses to the concerned personnel effectively.



WHAT YOU HAVE LEARNT

‘Electricity’ is the flow of electrical power or charge. Electricity is popularly known as electric current or power. Electricity is a basic part of nature and one of the most widely used forms of energy. All the factories, manufacturing units, and offices also require electricity for their functioning.

The three most basic components of electricity are voltage, current, and resistance. A current of 1 ampere means that 1 coulomb of electrons—that’s 6.24 billion billion (6.24×10^{18}) electrons—is moving past a single point in a circuit in 1 second. All materials resist current flow to some degree. They fall into one of two broad categories: Conductors and Insulators. voltage is equal to current multiplied by resistance ($V = I \times R$). This is known as Ohm’s law.

Some of the energy-efficient devices that are used by business organizations are: LED Lighting, Solar Panels, Five-Star Rating Appliances, Laptops, and Motion Sensor Lights. Energy Efficient Appliances can help you save energy, save money and are Environmentally Friendly.

Some of the electrical problems found at the workplaces are Odd or Unfamiliar smell near the outlets, Warm or sparking outlets and switches, Blinking or flickering lights, Broken light switches and loose outlets, Frequent Tripping of Fuses or Circuit Breakers, Electrical Shocks, Uncovered Panel Box or Junction Box, Backstabbed wires, and Heavy reliance on extension cords and Multiplugs.

**Notes**

Organizations should use some standard practices that can be followed for conserving electricity at the workplace like Switching off lights and equipment when not in use; Using energy-efficient appliances; Using the hibernation feature on all computers and laptops, Print only when necessary; Switching off artificial lights and using natural light; and having Energy Audits.

Improperly connected electrical equipment and appliances at your workplace can be both hazardous and can affect your official tasks. It can damage your Appliances and wires and can result in Electric shocks and fires at your workplace. It would also can completely stop or delay your work and affects your productivity at the workplace.



TERMINAL QUESTIONS

1. Define 'Electricity'. List the uses of electricity in our daily lives.
2. What are the basic components of electricity?
3. List the energy-efficient devices that are used at the workplace. What are the benefits of using Energy Efficient Appliances?
4. Discuss the ways to identify electrical problems that can arise during work. What are its solutions?
5. Discuss the standard practices that should be followed for conserving electricity in the job
6. State the impact of improperly connected electrical equipment and appliances on the tasks being performed.



ANSWERS TO INTEXT QUESTIONS

7.1

1. (b) Electrical power or charge
2. (d) All of the above
3. (d) All of these

7.2

1. (b) False
2. (a) True

Module - 5

Regulatory Aspects in Insurance



ENERGY/ELECTRICITY CONSERVATION

3. (d) 80 percent

4. (d) All of these

5. (d) All of these

7.3

1. (c) Both of these

2. (c) Overloaded

3. (b) Heavy reliance on extension cords and multi plugs can damage both the appliances and plugs

4. (d) All of these



LEARNING OUTCOMES

After reading this chapter, students will be able:

- To apply suitable techniques to check the equipment/machinery for the desired level of functioning
- To employ appropriate methods to rectify faulty equipment/machinery safely
- To report equipment faults and maintenance lapses to the concerned personnel effectively.
- To implement the practices that can be followed for conserving electricity at the workplace

**8**

WASTE MANAGEMENT/ RECYCLING

8.0 INTRODUCTION

Waste is defined as unwanted and unusable materials and is regarded as a substance which is of no use. Waste that we see in our surroundings is also known as garbage. Garbage is mainly considered as a solid waste that includes wastes from our houses (domestic waste), wastes from schools, offices, etc (municipal wastes) and wastes from industries and factories (industrial wastes). It becomes very important for every economy to have an efficient waste management system. Let us discuss about the types of waste, how to segregate the waste, methods for waste disposal, pollution and how to minimize pollution in this chapter.



8.1 OBJECTIVES

After reading this lesson, you will be able to:

- List the various types of recyclable, non-recyclable, and hazardous waste
- State the significance of different coloured dustbins
- List the different types of waste to be segregated
- State the importance of waste management
- Discuss the standard methods for waste disposal
- List the sources of pollution.
- Discuss the ways to minimize various types of pollution



Notes

8.2 RECYCLING WASTE

Recycling is the process of converting waste materials into new materials and objects. Typical materials that are recycled include iron and steel scrap, aluminum cans, glass bottles, paper, wood, and plastics. The materials reused in recycling serve as substitutes for raw materials obtained from such increasingly scarce natural resources as petroleum, natural gas, coal, mineral ores and trees. Recycling can help reduce the quantities of solid waste deposited in landfills, which have become increasingly expensive. Recycling also reduces the pollution of air, water, and land resulting from waste disposal. Recycling is a key component of modern waste reduction and is the third component of the “Reduce, Reuse and Recycle”

Turning the trashed wastes into useful products is beneficial for both the community and the environment. The recycling process can be of three types and each type includes three basic steps. The first step is the collection and separation of recyclable materials from wastes. In the second step, the residue goes through any of these three procedures and is reverted into raw material. In the final step, the raw material turns into a finished product again.

These are three types of recycling:

- **Mechanical Recycling**

This method is used to recycle plastics, either obtained from industrial scrap, or domestic, or commercial disposals. The residues are mechanically transformed into new materials without changing their chemical structures.

- **Energy Recycling**

The method used to convert plastics into both thermal and electric energy is called energy recycling. The process is done by leveraging, through incineration and the heat is released in the form of fuel.

- **Chemical Recycling**

Among all types of recycling, chemical recycling is the most complex method. In this process, the chemical structures of plastics are modified after reprocessing them. The final product is produced to be used as raw material in different industries. It can also be used as a basic input in manufacturing new plastic products. It is an expensive process and requires a large amount of plastic available.

Some of the common products you can find that can be made with recycled content include the following:

- ❖ Aluminum cans
- ❖ Car bumpers
- ❖ Carpeting
- ❖ Cereal boxes
- ❖ Comic books
- ❖ Egg cartons
- ❖ Glass containers
- ❖ Laundry detergent bottles
- ❖ Motor oil
- ❖ Nails
- ❖ Newspapers
- ❖ Paper towels
- ❖ Steel products
- ❖ Trash bags

Regulatory Aspects in Insurance



Notes

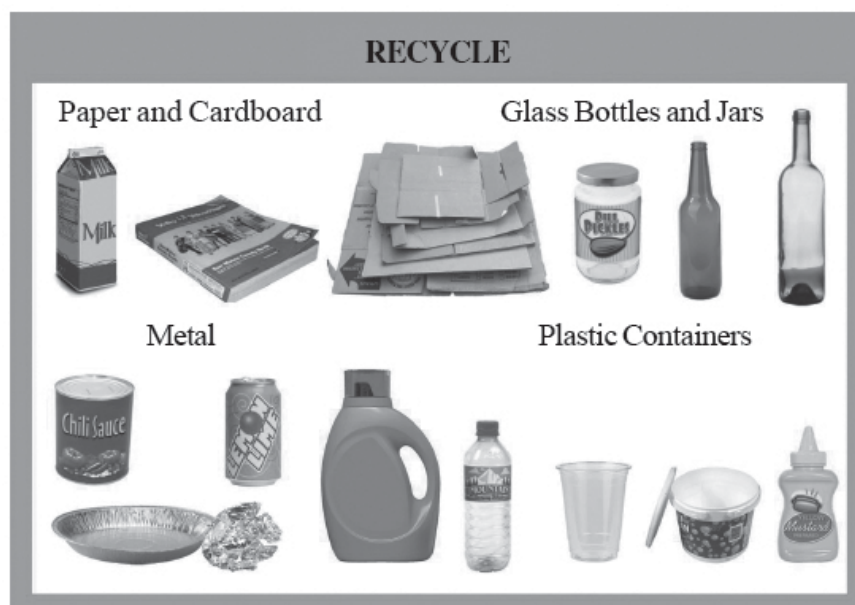


Figure 8.1 Recycling Items



8.3 HAZARDOUS WASTE

Hazardous waste is a waste that has substantial or potential threats to public health or the environment. Hazardous waste is a type of dangerous goods. They usually have one or more of the following hazardous traits: ignitability, reactivity, corrosively, toxicity. Listed hazardous wastes are materials specifically listed by regulatory authorities as hazardous wastes which are from non-specific sources, specific sources, or discarded chemical products. Hazardous wastes may be found in different physical states such as gaseous, liquids, or solids.

8.3.1 Types of Hazardous wastes

Universal Wastes

Universal wastes are a special category of hazardous wastes that generally pose a lower threat relative to other hazardous wastes, are ubiquitous and produced in very large quantities by a large number of generators. Some of the most common “Universal Wastes” are fluorescent light bulbs, some specialty batteries (e.g. lithium or lead containing batteries), cathode ray tubes and mercury-containing devices.

Universal wastes are subject to somewhat less stringent regulatory requirements. Small quantity generators of universal wastes may be classified as “Conditionally Exempt Small Quantity Generators” (CESQGs) which release them from some of the regulatory requirements for the handling and storage hazardous wastes. Universal wastes must still be disposed of properly.

Household Hazardous Waste

Household Hazardous Waste (HHW), also referred to as domestic hazardous waste or home generated special materials, is a waste that is generated from residential households. HHW only applies to waste coming from the use of materials that are labeled for and sold for “home use”. Waste generated by a company or at an industrial setting is not HHW.

The following list includes categories often applied to HHW. It is important to note that many of these categories overlap and that many household wastes can fall into multiple categories:

- Paints and solvents
- Automotive wastes (used motor oil, antifreeze, etc.)
- Pesticides (insecticides, herbicides, fungicides, etc.)



Notes

- Mercury-containing wastes (thermometers, switches, fluorescent lighting, etc.)
- Electronics (computers, televisions, cell phones)
- Aerosols / Propane cylinders
- Caustics / Cleaning agents
- Refrigerant-containing appliances
- Some specialty batteries (e.g. lithium, nickel cadmium, or button cell batteries)
- Ammunition
- Asbestos
- Car batteries
- Radioactive wastes (some home smoke detectors are classified as radioactive waste because they contain very small amounts of radioactive isotope americium - see: Disposing of Smoke Detectors).
- Smoke from chimneys

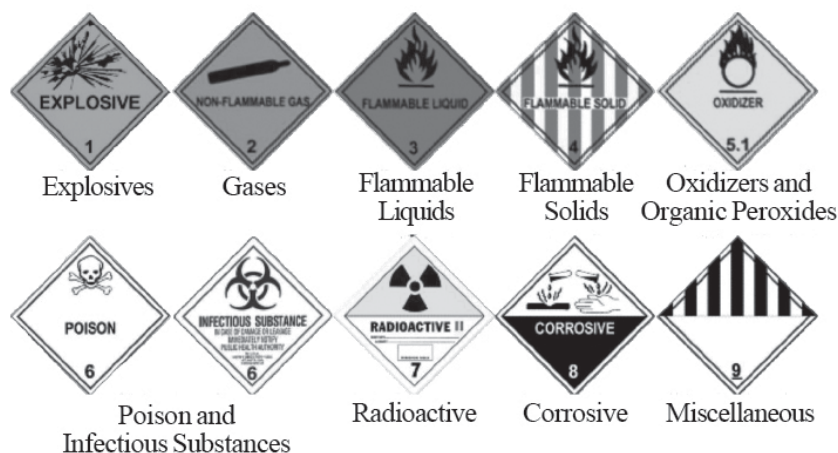


Figure 8.2 Hazardous Waste examples



INTEXT QUESTIONS 8.1

- The process of converting waste materials into new materials and objects is known as
 - Reusing
 - Recycling
 - Reducing
 - All of these



Notes

2. The method used to convert plastics into both thermal and electric energy is called
 - a) Mechanical Recycling
 - b) Energy Recycling
 - c) Chemical Recycling
 - d) None of these
3. Which of the following is the most complex method
 - a) Mechanical Recycling
 - b) Energy Recycling
 - c) Chemical Recycling
 - d) All of these
4. 'Fluorescent light bulbs' is an example of
 - a) Universal wastes
 - b) Household hazardous waste
 - c) Both of these
 - d) None of these

8.4 NON-RECYCLABLE WASTE

Non-recyclable waste means a waste that cannot be processed or treated for reuse in some form.:

Non-recyclable items

- Garbage
- Food waste
- Food-tainted items (such as: used paper plates or boxes, paper towels, or paper napkins)
- Ceramics and kitchenware
- Windows and mirrors



- Plastic wrap
- Packing peanuts and bubble wrap
- Wax boxes
- Photographs
- Medical waste
- Polystyrene or styrofoam
- Hazardous chemicals and chemical containers
- Plastic toys or sporting goods equipment
- Foam egg cartons
- Wood
- Light bulbs
- Yard waste or garden tools

8.5 DIFFERENT COLORED DUSTBINS AND ITS SIGNIFICANCE

As per the Solid Waste Management Rules, 2016 dustbins of three different colors to be used for storage of segregated waste in green, blue and black bins. Green bins are to be used for wet waste, blue bins are to be used for dry waste, and black bins are to be used for for inerts.

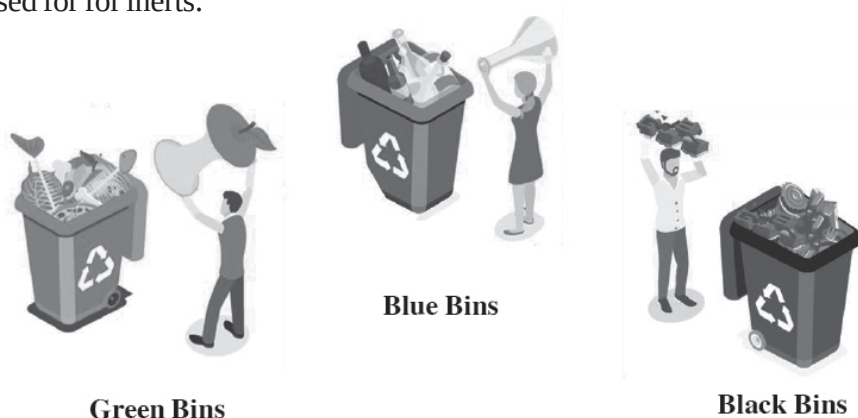


Image 8.3: Different Coloured dustbins in India

These color dustbins helps in waste segregation at source. Waste Segregation at Source offer far-reaching benefits- optimal utilization of municipal machinery and workforce, efficient infrastructure operations, and enhanced environmental outcomes.



Notes

8.6 DIFFERENT TYPES OF WASTE TO BE SEGREGATED

Waste can be categorized into three main types, i.e. Wet Waste, Dry Waste and Inerts. In India, Green bins are to be used for wet waste, blue bins are to be used for dry waste, and black bins are to be used for inerts.

Wet waste consists of kitchen waste - including vegetable and fruit peels and pieces, tea leaves, coffee grounds, eggshells, bones and entrails, fish scales, as well as cooked food (both veg and non-veg).

Dry waste means waste other than bio-degradable waste and inert street sweepings and includes recyclable and non recyclable waste, combustible waste and sanitary napkin and diapers, etc;

Inerts means wastes which are not bio-degradable, recyclable or combustible street sweeping or dust and silt removed from the surface drains.

8.7 IMPORTANCE OF WASTE MANAGEMENT

1. Improves human health

In most cases, the improper management and disposal of different types of wastes can cause a variety of health issues to humans. These can include skin irritation, respiratory problems, and other illnesses. For example, wastes that release dioxins and other toxins are dangerous, especially when they're diffused into the air people breathe. Moreover, toxic chemicals from waste leaking into bodies and streams of water can also be harmful to people who consume that water on a regular basis.

2. Helps in saving environment

Waste management is important as it saves the environment from the toxic effects of inorganic and biodegradable element present in waste. Mismanagement of waste can cause water contamination, soil erosion and air contamination, which in turn can cause harm to the environment as well as communities.

3. Waste can be recycled

Waste can be recycled if collected and managed efficiently. Waste materials such as plastic, glass and paper can be segregated into different columns in order to process them to make new products which will save the natural resources.

4. Protects animals and marine Life

Just like humans and the environment, inappropriate handling of waste and garbage can have an adverse impact on animals and marine life. For example,



animals that feed on grass in areas near contaminated areas such as landfills can be poisoned due to the toxic chemicals that leak into the soil. Also, marine animals are at risk of death when they begin consuming cigarette butts and contaminated water.

5. Helps in creating Jobs for efficient waste management system

Waste management will not only save natural resources, biodiversity, and human life, it will also impact the economy in a positive way as there will be more jobs created for running an efficient waste management system.



INTEXT QUESTIONS 8.2

1. Waste means a waste that cannot be processed or treated for reuse in some form is known as
 - a) Recyclable waste
 - b) Non-recyclable waste
 - c) Universal waste
 - d) Hazardous waste
2. Green bins (dustbins) are to be used for
 - a) Wet Waste
 - b) Dry Waste
 - c) Inerts
 - d) Hazardous waste
3. Blue bins (dustbins) are to be used for
 - a) Wet Waste
 - b) Dry Waste
 - c) Inerts
 - d) Hazardous waste
4. Vegetable and fruit peels and pieces should be put in
 - a) Green Bins
 - b) Blue Bins
 - c) Black Bins
 - d) Any of these

8.8 STANDARD METHODS FOR WASTE DISPOSAL

There are various methods available for the waste disposal. Some of them are discussed below:

1. **Landfills:** Throwing daily waste/garbage in the landfills is the most popularly used method of waste disposal used today. This process of waste disposal focuses attention on burying the waste in the land. Refuse can be safely deposited

Regulatory Aspects in Insurance



Notes

in a sanitary landfill, a disposal site that is carefully selected, designed, constructed, and operated to protect the environment and public health. One of the most important factors relating to land filling is that the buried waste never comes in contact with surface water or groundwater.

2. **Recycling:** Recycling is the process of converting waste products into new products to prevent energy usage and consumption of fresh raw materials. Recycling is to reduce energy usage, reduce the volume of landfills, reduce air and water pollution, reduce greenhouse gas emissions, and preserve natural resources for future use.
3. **Composting:** Another method of treating solid waste is composting, a biological process in which the organic portion of refuse is allowed to decompose under carefully controlled conditions. Composting is an easy and natural bio-degradation process that takes organic wastes i.e. remains of plants and garden and kitchen waste and turns into nutrient-rich food for your plants.
4. **Incineration:** Incineration involves the combustion of waste materials. With this method, the waste material is heated to very high temperatures and is converted into materials such as heat, gas, steam, and ash. Burning is a very effective method of reducing the volume and weight of solid waste, though it is a source of greenhouse gas emissions. In modern incinerators the waste is burned inside a properly designed furnace under very carefully controlled conditions. Incineration can reduce the volume of uncompacted waste by more than 90 percent, leaving an inert residue of ash, glass, metal, and other solid materials called bottom ash.

8.9 POLLUTION

The term pollution refers to an undesirable change in the quality of a natural resource or the natural ecosystem. The change may be harmful to life immediately or over a long period of time. Thus, pollution adversely affects the health of living beings. The addition of unwanted substances in a concentration that has an adverse effect on organisms and environment, is called pollution.

Pollution is caused by a pollutant. A pollutant is a waste material or substance which causes an undesirable change in a natural resource or ecosystem. Smoke, dust and poisonous gases in the atmosphere and industrial effluents and sewage from cities in water are some common examples of pollutants. Further, human activities also generate heat and create noise or harm living beings in a multitude of other ways.



8.10 TYPES OF POLLUTION

Depending upon the area or the part of environment affected, pollution may be of the following types:

- Air Pollution
- Water Pollution
- Noise Pollution
- Soil Pollution

8.10.1 Air Pollution

Air pollution is the introduction of chemicals, particulate matter, or biological materials that cause harm or discomfort to humans or other living organisms, or cause damage to the natural environment or built environment, into the atmosphere. Major air pollutants include Sulphur oxides, nitrogen oxides, carbon monoxide, carbon dioxide (which is also a major greenhouse gas), toxic metals, and particulate matter.

Sources of Air Pollution

The sources of air pollution can be divided into two categories a) natural, and b) human-made

a) Natural Sources

- (i) Ash from burning volcanoes, dust from storm, forest fires
- (ii) Pollen grains from flowers in air are natural sources of pollution

b) Anthropogenic (human-made) Sources

- (i) Power stations using coal or crude oil release CO₂ in air
- (ii) Also, furnaces using coal, cattle dung cakes, firewood, kerosene, etc.
- (iii) Steam engines used in railways, steamers, motor vehicles, etc. give out CO₂.
- (iv) So do Motor and internal combustion engines which run on petrol, diesel, kerosene. etc.
- (v) Vegetable oils, kerosene, and coal as household fuels
- (vi) Sewers and domestic drains emanating foul gases
- (vii) Pesticide residues in air



Notes

Major Air Pollutants

Carbon dioxide

Carbon dioxide is one of the major gases which contributes towards air pollution. It is mainly produced during the combustion of fuel in factories, power stations, household etc. The increasing CO₂ in the atmosphere is likely to have the following effects:

- (i) A rise in atmospheric temperature or global warming due to greenhouse effect. Also causes climate change.
- (ii) Reduced productivity of the marine ecosystem. This is due to the fact that water in the oceans would be more acidic due to increased concentration of CO₂ in the air, which dissolves in the water.
- (iii) Due to Global warming, the increased surface temperature would cause melting of continental and mountain glaciers and thus would cause flooding of coastal areas of some countries.

Sulphur dioxide

It is produced by the burning of coal in powerhouses and automobiles (car, trucks etc.). It causes chlorosis and necrosis of plants, irritation in eyes and injury to the respiratory tract (asthma, bronchitis) in humans responsible for discoloration and deterioration of buildings. High concentration of sulphur dioxide in the atmosphere dissolves in rain drops to form sulphuric acid which causes acid rain.

Carbon monoxide

Carbon monoxide is produced as a result of incomplete combustion of fossil fuels like coal, petroleum and wood charcoal. Automobiles using diesel and petroleum are the major sources of carbon monoxide which gets added to the atmosphere. Carbon monoxide is more dangerous than carbon dioxide. It is a poisonous gas which causes respiratory problems. When it reaches the blood stream, it replaces oxygen due to its high affinity for haemoglobin. It also causes giddiness, headache and interferes with normal function of the heart.

Fluorides

Upon heating” rocks, soils and minerals that contain fluorides, give out hydrogen fluoride gas. This is an extremely toxic gas, which causes serious injury to livestock and cattle.

Oxides of nitrogen

A few oxides of nitrogen, such as nitric oxide (NO), nitrous oxide (N₂O) and nitrogen



dioxide (NO₂) are produced by natural processes as well as from thermal power stations, factories, automobiles and aircrafts (due to burning of coal and Health petroleum). They reduce the oxygen carrying capacity of blood, may cause eye irritation and skin cancer in human beings.

Smog

Smog is a mixture of smoke, dust particles and small drops of fog. Smog may cause necrosis and develop a white coating on the leaves (silvering) of plants. In human beings and animals, it may cause asthma and allergies.

Aerosol spray propellants

Suspended fine particles in the air are known as aerosols. Aerosols contain chlorofluoro carbons (CFCs) and fluorocarbons used in refrigerants and aerosol cans. They cause depletion of the ozone layer.

Domestic air pollutants

Smoke from cigarettes, biri, cigar and other such objects using burning tobacco, burning of coal, firewood, cow dung cakes, kerosene oil and liquefied gases are major domestic pollutants. The common pollutant gases emitted during the domestic burning of coal, kerosene oil, firewood, cow dung cakes, etc. are carbon monoxide (CO), carbon dioxide (CO₂), sulphur dioxide (SO₂), etc. The pollution due to these pollutants causes suffocation, eye and lung diseases and low visibility

Effects of air pollution

The health effects caused by air pollution may include difficulty in breathing, wheezing, coughing and aggravation of existing respiratory and cardiac conditions. These effects can result in increased medication, increased doctor or emergency room visits, more hospital admissions and premature death.

Prevention and control of air pollution

- (i) At domestic level, burning of wood and dung cakes can be replaced by use of cleaner fuel and biogas (formed by the decomposition of animal and plant wastes in a biogas plant).
- (ii) Automobile pollution can be reduced by:
 - pooling of transport or use of public transport.
 - use of unleaded petrol and CNG (Compressed Natural Gas).
 - regular tuning and servicing of the engines, and

Regulatory Aspects in Insurance



Notes

- switching off the engine at red lights or when not in use.
- motor vehicles need to obtain Pollution Under Control (PUC) certificate at regular intervals.

(iii) Following measures can reduce industrial pollution:

- installation of tall chimneys,
- installation of devices that do not allow pollutants to be released in the environment, such as filters, electrostatic precipitators, scrubbers etc.

8.10.2 Water Pollution

Water pollution is the contamination of water bodies (example lakes, rivers, oceans, and groundwater) by pollutants discharged directly or indirectly into water bodies without adequate treatment to remove harmful compounds.

Water pollution could be due to natural or human activities. Natural sources of water pollution are soil erosion, leaking of minerals from rocks, and decaying of organic matter, while human-made sources include domestic, agricultural, and industrial activities. Many water sources have become a dumping ground for wastes. Water pollution is one of the main causes of human diseases in India.

Sources of Water Pollution

Major sources of water pollution include:

- Discharge from sewage treatment plants and sewage pipes from cities and towns.
- Industrial effluents released by factories into water bodies.
- Chemicals like pesticides and fertilizers from agricultural farms which constitute runoff from farms.
- Contaminated storm water from storm water drains in cities.
- Release of heated or radioactive water by power plants into water.
- Oil spills and leakages from tankers and oil rigs.
- Growth of algae in water bodies.
- Excretory wastes of humans and animals in water bodies

Effects of water pollution

- Water pollution adversely affects the fish and other aquatic life.



- The presence of acids/alkalis in water destroys micro-organisms, thereby disturbing the self-purification process in rivers.
- The toxic materials in water cause serious health hazards in human beings and other animals.
- Polluted water causes spread of epidemics, such as cholera, tuberculosis, jaundice, dysentery, typhoid, and diarrhea in human beings.
- The use of polluted water from lakes, ponds and rivers for irrigation of agricultural fields, damages crop severely and decreases agricultural production.
- The use of water contaminated with salts increases alkalinity of the soil.
- Heavily polluted water affects the soil, decreases its fertility, and kills soil micro-organisms and even certain useful bacteria.
- Contamination of sea water due to oil slicks caused by the leakage of crude oil from oil tankers causes ecological disasters which results in the death of sea organisms including fishes.

Prevention and control of water pollution

Water pollution can be controlled by

- Treating industrial effluents before discharging into rivers, separate channels for river and sewage water
- Avoid contamination of rivers, lakes and ponds by washing clothes, bathing, etc.
- Not throwing waste, food materials, paper, biodegradable vegetables and plastic into open drains.
- Setting up sewage water treatment plants
- Use of septic tanks in houses to avoid direct outlet of faecal matter and other wastes
- Effluents from distilleries and solid waste containing organic matter diverted to biogas plants to generate energy
- Maintenance or safety standards for the effluents discharged into the water system

8.10.3 Noise Pollution

Noise pollution is an excessive and displeasing environmental noise that disrupts the activity or balance of human or animal life. Noise can be simply defined as “unwanted sound”. It is generally higher in urban and industrial areas than in rural areas.



Notes

Sources of Noise Pollution

Major sources of noise pollution include:

- Vehicular traffic, like cars, buses, airplanes, trains etc.
- Industrial processes like stone crushing, making of steel plates, sawing, printing, etc.
- Construction work on roads, bridges, buildings, etc.
- Various noises from houses like stereos, televisions, etc
- Consumer products like air conditioners, refrigerators, etc.
- Use of loud speakers, loud music system and television at public places

Effects of noise pollution

Noise pollution in the form of unwanted sound can damage physiological and psychological health. Noise pollution can cause annoyance and aggression, hypertension, high stress levels, hearing loss, sleep disturbances, and other harmful effects. Chronic exposure to noise may cause noise-induced hearing loss. People exposed to significant occupational noise demonstrate significantly reduced hearing sensitivity compared to non-exposed people. High and moderately-high noise levels can contribute to cardiovascular effects, a rise in blood pressure, and an increase in stress thus affecting the physical and mental health of people.

Prevention and control of noise pollution

Following steps can be taken to control or minimize noise pollution:

- Control the noise emanating from your radio and television.
- Use automobile horn only in case of emergency.
- Do not burn firecrackers as they are noisy and cause air pollution.
- Get all machinery and engines properly tuned and serviced at regular intervals and using silencers.
- Use of sound proof cabins and sound-absorbing materials in the walls.
- A green belt of vegetation is an efficient absorber of noise.
- Not playing loudspeakers during odd hours. It is legally banned and should be reported to the police immediately.

8.10.4 Soil Pollution

Addition of substances that change the quality of soil by making it less fertile and unable to support life is called soil pollution.

Sources of soil pollution

Soil pollution is caused due to:

- Domestic sources: plastic bags, kitchen waste, glass bottles, and paper
- Industrial sources: chemical residue, fly ash, metallic waste, and
- Agricultural residues: fertilizers and pesticides.

Harmful effects of soil pollution

- Decrease in irrigated land thereby reduction in agricultural production.
- Decrease in soil productivity.
- Carry over of pollutants into the food chain.
- Damage to landscape

Control of soil pollution

- Judicious use of chemical fertilizers and pesticides.
- Proper and appropriate irrigation practices
- Conversion of farm wastes into compost and much use of bio fertilizers and manure in farming.

**INTEXT QUESTIONS 8.3**

1. Which of the following is the Standard method for waste disposal
 - a) Recycling
 - b) Composting
 - c) Incineration
 - d) All of these
2. The method in which the waste material is heated to very high temperatures and is converted into materials such as heat, gas, steam, and ash is known as
 - a) Recycling
 - b) Composting
 - c) Incineration
 - d) All of these



Notes

Regulatory Aspects in Insurance



Notes

3. Which of the following are the sources of Air pollution?
 - a) Use of loud speakers, loud music system and television at public places
 - b) Ash from burning volcanoes, dust from storm, forest fires
 - c) Growth of algae in water bodies
 - d) Plastic bags, kitchen waste, glass bottles, and paper
4. Which of the following are the sources of Water pollution?
 - a) Power stations using coal or crude oil releasing CO₂ in air
 - b) Discharge from sewage treatment plants and sewage pipes from cities and towns.
 - c) Industrial processes like stone crushing, making of steel plates, sawing, printing, etc.
 - d) Steam engines used in railways, steamers, motor vehicles, etc. emitting CO₂
5. Which of the following are the sources of Noise pollution?
 - a) Sewers and domestic drains emanating foul gases
 - b) Industrial processes like stone crushing, making of steel plates, sawing, printing, etc.
 - c) Fertilizers and pesticides.
 - d) Plastic bags, kitchen waste, glass bottles, and paper
6. Which of the following are the sources of Soil pollution?
 - a) Steam engines used in railways, steamers, motor vehicles, etc. emitting CO₂
 - b) Use of loud speakers, loud music system and television at public places
 - c) Consumer products like air conditioners, refrigerators, etc.
 - d) Fertilizers and pesticides.



WHAT YOU HAVE LEARNT

Recycling is the process of converting waste materials into new materials and objects. Recycling is a key component of modern waste reduction and is the third component of the “Reduce, Reuse, and Recycle”. There are three types of recycling: Mechanical Recycling, Energy Recycling, and Chemical Recycling.



Hazardous waste is a waste that has substantial or potential threats to public health or the environment. Hazardous wastes can be categorized as Universal wastes or Household hazardous waste. As per the Solid Waste Management Rules, 2016 dustbins of three different colors are to be used for storage of segregated waste. Green bins are to be used for wet waste, blue bins are to be used for dry waste, and black bins are to be used for inerts.

Waste management is important as it Improves Human Health; Helps in Saving environment; Waste can be recycled; Protects Animals and Marine Life; and helps in creating Jobs for efficient waste management system.

Standard methods for waste disposal include landfills, Recycling, Composting, and Incineration. The term pollution refers to an undesirable change in the quality of a natural resource or the natural ecosystem. Types of Pollution are Air pollution, Water pollution, Noise pollution, and Soil pollution. There are many sources of pollution and way by which pollution can be controlled.



TERMINAL QUESTIONS

1. Define the term pollution and pollutant with example?
2. Name any two sources of air pollution.
3. Name two harmful effects of water pollution.
4. What is meant by noise pollution?
5. Name four types of pollution?
6. Explain the measures to control air and water pollution?
7. Explain the effects of soil pollution?
8. What is meant by air pollution? Name any three major sources of air pollution. What are its harmful effects?
9. What is water pollution? Mention major sources of water pollution. What are its harmful effects?
10. List any three ways in which noise from various sources can affect the wellbeing of a person. Suggest few methods to control noise pollution?



Notes



ANSWERS TO INTEXT QUESTIONS

8.1

1. (b) Recycling
2. (b) Energy Recycling
3. (c) Chemical Recycling
4. (a) Universal wastes

55.2

1. (b) Non-recyclable waste
2. (a) Wet Waste
3. (b) Dry Waste
4. (a) Green Bins

55.3

1. (d) All of these
2. (c) Incineration
3. (b) Ash from burning volcanoes, dust from storm, forest fires
4. (b) Discharge from sewage treatment plants and sewage pipes from cities and towns.
5. (b) Industrial processes like stone crushing, making of steel plates, sawing, printing, etc.
6. (d) Fertilizers and pesticides.



LEARNING OUTCOMES

After reading this chapter, students will be able:

- To classify various types of recyclable, non-recyclable, and hazardous waste and discuss the standard methods for waste disposal
- To describe the sources of pollution and can implement the methods to minimize various types of pollution

**9**

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

9.0 INTRODUCTION

Company XYZ is an Insurance company having their office in an old building. Recently, the management noticed a surge in workplace accidents, leading to increased absenteeism and decreased productivity. Recognizing the urgency of the situation, Company XYZ promptly implemented comprehensive health, safety, and security measures. They organized regular training sessions to educate employees on safe working practices and emergency procedures. Furthermore, they shifted their office to the new building. The results were remarkable. Not only did the number of workplace accidents decrease significantly, but there was also a noticeable improvement in employee morale and engagement. With a safer and more secure workplace environment, employees felt valued and protected, leading to increased productivity and a decrease in turnover rate. The issues related to Health, Safety and Security at Workplace will be discussed in this chapter and you will be able to understand the critical importance of prioritizing health, safety, and security at the workplace.



9.1 OBJECTIVES

After reading this lesson, you will be able to:

- Describe the features of the Occupational Safety, Health and Working Conditions (OSHC) Code, 2020
- Explain the provisions of the OSHWC Code, 2020 that could be particularly relevant for the Insurance Industry

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

- Discuss the reporting procedure for health and safety hazards found at the workplace
- Hazards that can be dealt with safely, competently, and within limits of authority of a Business Correspondent & Business Facilitator
- Discuss the Standard emergency procedures for different emergencies and the importance of following them

9.2 INTRODUCTION TO HEALTH, SAFETY AND SECURITY AT WORKPLACE

In the dynamic landscape of the insurance industry, where risks are meticulously assessed and managed, the health, safety, and security of employees within the workplace are important. Every workplace incident, whether an accident, illness, or dispute, not only affects the organization but also impacts individuals and their families. Recognizing this, it becomes important for insurance professionals to prioritize the creation of a safe and secure working environment.

Each employee should take ownership of their health and safety, going beyond relying solely on safety officers or managers. By fostering individual accountability, risks are reduced, and employees are empowered to enhance safety.

Promoting a safe workplace goes beyond meeting regulations; it's vital for organizational success. A safe environment boosts employee well-being, productivity, and efficiency. Investing in health, safety, and security isn't just about avoiding liabilities; it's essential for sustainable growth in the insurance industry.

A health, safety, and security policy is like a promise from a company to its employees and the public. It says that the company cares about keeping everyone safe and healthy. It's a commitment from the bosses to the workers to make sure they stay well and secure. This policy includes all the important things the company will do to make sure everyone stays safe and healthy at work. It sets goals for keeping workers protected.

9.3 OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS (OSHC) CODE, 2020

The Occupational Safety, Health and Working Conditions (OSHC) Code, 2020, applies to various industries in India, including the insurance industry. The code aims to consolidate and amend the laws regulating the occupational safety, health, and working conditions of workers, ensuring their welfare and safety across different sectors.

Therefore, insurance companies in India would need to adhere to the provisions outlined in this code regarding the safety, health, and working conditions of their employees.

9.3.1 Features of the Occupational Safety, Health and Working Conditions (OSHC) Code, 2020

- The Occupational Safety, Health and Working Conditions (OSHC) Code, 2020 is a comprehensive labour legislation in India aimed at consolidating and rationalizing various laws about workplace safety, health, and working conditions.
- Covering establishments with ten or more employees and certain hazardous activities specified by the government, the code introduces a unified registration and licensing system to simplify compliance procedures.
- It mandates employers to ensure a safe working environment, preventive measures against occupational hazards, and facilities for first aid and emergency response. Additionally, it sets standards for working hours, rest intervals, overtime, and leave entitlements, while also regulating the employment of contract labourers to protect their welfare and rights.
- Advisory boards and committees are established for guidance, and penalties are specified for non-compliance.
- Overall, the OSHWC Code, 2020 modernizes and harmonizes India's labour laws, prioritizing the safety, health, and well-being of workers while promoting ease of compliance for employers.

While the Occupational Safety, Health and Working Conditions (OSHC) Code, 2020, primarily focuses on general provisions applicable across industries, certain aspects may have specific relevance to the insurance industry. Here are some provisions that could be particularly relevant:

1. **Registration of Establishments:** Insurance companies would need to register their establishments under the code, providing details about the nature of their business, the number of employees, etc.
2. **Health and Safety Measures:** Insurance companies are required to provide a safe working environment for their employees, including provisions for ventilation, lighting, sanitation, and first aid facilities within their offices.
3. **Working Hours:** The code specifies the maximum number of hours that employees can work in a week, including provisions for overtime wages. This would apply to insurance company employees as well.



Notes

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

4. **Leave and Holidays:** Insurance companies must comply with provisions related to leave entitlements for their employees, including annual leave, sick leave, and maternity leave.
5. **Employment of Women:** Specific provisions may be outlined regarding the employment of women in the insurance industry, ensuring their health and safety, and providing maternity benefits as per the code.
6. **Welfare Measures:** Insurance companies are required to implement welfare measures for their employees, such as canteen facilities, restrooms, and other amenities to ensure their well-being.
7. **Appointment of Safety Officers:** Depending on the size and nature of the insurance company, they may need to appoint safety officers to oversee compliance with safety regulations and address any safety concerns within their offices.
8. **Penalties:** Non-compliance with the provisions of the code may result in penalties for insurance companies, including fines and other punitive actions.

While these provisions may not be explicitly tailored to the insurance industry, they apply to all establishments and industries covered under the OSHWC Code, including insurance companies, to ensure the safety, health, and well-being of their employees.

9.4 REPORTING PROCEDURE FOR HEALTH AND SAFETY HAZARDS FOUND AT THE WORKPLACE

Reporting procedures for health and safety hazards in the workplace are essential in the insurance industry, as they are in any other sector. While the Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020, doesn't specify industry-specific reporting procedures, insurance companies typically have internal protocols and mechanisms in place for employees to report health and safety hazards they encounter in the workplace. These reporting procedures are crucial for identifying potential risks, addressing safety concerns promptly, and preventing accidents or injuries.

Here are some common steps involved in reporting health and safety hazards in the workplace within the insurance industry or any other sector:

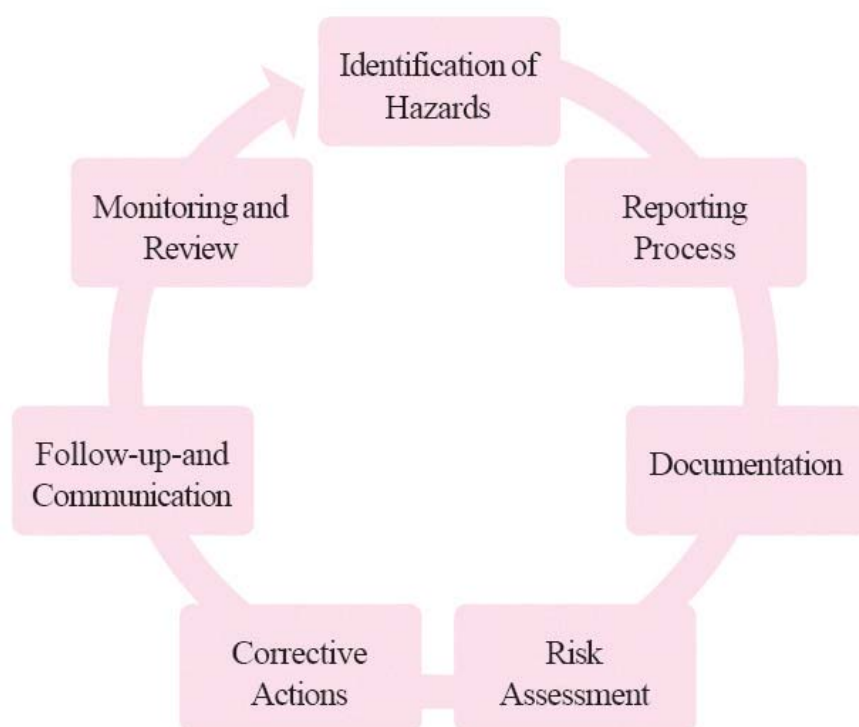


Figure 9.1 : Reporting procedure of health and safety hazards found at the workplace

1. **Identification of Hazards:** Employees should be trained to recognize potential health and safety hazards in their work environment. Hazards can include anything from physical hazards like faulty equipment or slippery floors to ergonomic hazards like poor workstation setup.
2. **Reporting Process:** Insurance companies typically have established channels for reporting hazards. This may involve informing a supervisor, safety officer, or designated health and safety representative within the company. There may be specific forms or digital platforms provided for reporting hazards.
3. **Documentation:** Once a hazard is reported, it should be documented properly. This documentation should include details such as the nature of the hazard, its location, any potential risks it poses, and the date and time of reporting.
4. **Risk Assessment:** After a hazard is reported, the company should conduct a risk assessment to evaluate the severity of the hazard and the likelihood of harm. This assessment helps determine the appropriate measures to mitigate the risk.
5. **Corrective Actions:** Based on the risk assessment, the company should take appropriate corrective actions to eliminate or control the hazard. This may involve repairing or replacing faulty equipment, implementing safety protocols, providing training, or making changes to work processes.

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

6. **Follow-up and Communication:** Employees who report hazards should be kept informed about the actions taken to address the issue. Clear communication ensures transparency and reinforces the company's commitment to employee safety.
7. **Monitoring and Review:** The effectiveness of the corrective actions should be monitored, and regular reviews should be conducted to identify any new hazards that may arise. Continuous improvement is essential for maintaining a safe work environment.

By implementing robust reporting procedures and taking prompt action to address health and safety hazards, insurance companies can create a safer workplace for their employees and reduce the risk of accidents or injuries.



INTEXT QUESTIONS 9.1

1. Which of the following is true for the Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020?
 - a) It mandates employers to ensure a safe working environment
 - b) It mandates employers to take preventive measures against occupational hazards
 - c) It mandates employers to ensure facilities for first aid and emergency response
 - d) All of these
2. Which of the following is not a relevant provision of the OSHWC Code, 2020 that could be particularly relevant for the Insurance industry?
 - a) Registration of Establishments
 - b) Working Hours
 - c) Promotion of employees
 - d) Welfare Measures
3. Which of the following is the first steps involved in reporting health and safety hazards in the workplace within the insurance industry?
 - a) Corrective Actions
 - b) Follow-up and Communication



- c) Identification of Hazards
 - d) Monitoring and Review
4. Which of the following is not a hazard?
- a) Faulty equipment
 - b) Slippery floors
 - c) Poor workstation setup
 - d) None of these

9.5 HAZARDS THAT CAN BE DEALT WITH SAFELY, COMPETENTLY, AND WITHIN LIMITS OF AUTHORITY OF A BUSINESS CORRESPONDENT & BUSINESS FACILITATOR

As a Business Correspondent & Business Facilitator in the insurance industry, you may encounter various health and safety hazards in your work environment. While your authority and competencies may be limited compared to full-fledged insurance company employees, there are still several hazards you can address safely and competently within your scope of authority. Here are some examples:

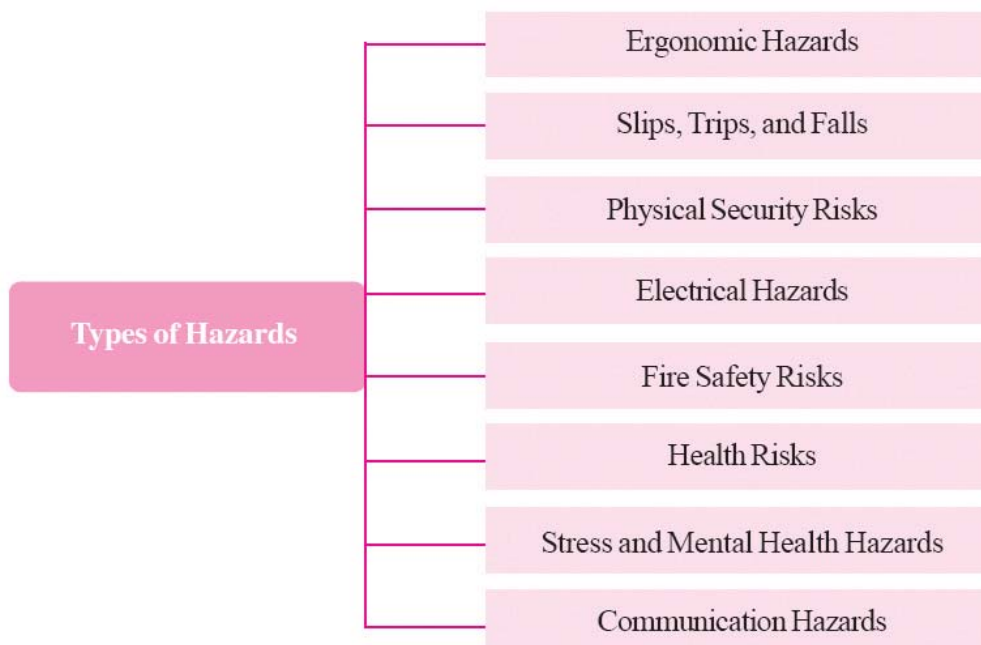


Figure 9.2 :Types of hazards at the Workplace

Module - 5

Regulatory Aspects in Insurance



HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

Ergonomic Hazards:

- Inadequate workstation setup leading to discomfort or musculoskeletal disorders.
- Improper lifting techniques leading to strain or injury.

Slips, Trips, and Falls:

- Wet or slippery floors.
- Cluttered walkways or work areas.

Physical Security Risks:

- Lack of security measures leading to theft or violence.
- Unsafe neighbourhood or location of the workplace.

Electrical Hazards:

- Overloaded electrical outlets.
- Damaged electrical cords or equipment.

Fire Safety Risks:

- Blocked fire exits.
- Improper storage of flammable materials.

Health Risks:

- Exposure to infectious diseases (especially relevant in customer-facing roles).
- Poor indoor air quality (due to inadequate ventilation or pollutants).

Stress and Mental Health Hazards:

- High workload leading to stress and burnout.
- Lack of support systems for mental health issues.

Communication Hazards:

- Inadequate training or information regarding safety procedures.
- Language barriers affecting understanding of safety protocols.

While addressing these hazards, it's essential to work within the limits of your authority and competencies. Here are some actions you can take:

Education and Training: Provide training to yourself and others on recognizing and mitigating hazards within your scope of authority.



Reporting: Report hazards beyond your authority to higher management or relevant authorities.

Collaboration: Collaborate with colleagues and supervisors to address complex hazards that require additional expertise.

Documentation: Maintain records of identified hazards, actions taken, and follow-up measures.

By proactively addressing these health and safety hazards within your authority and competencies, you can contribute to creating a safer work environment for yourself and your colleagues in the insurance industry.

9.6 STANDARD EMERGENCY PROCEDURES FOR DIFFERENT EMERGENCIES AND THE IMPORTANCE OF FOLLOWING THEM

Standard emergency procedures vary depending on the type of emergency, but they generally include guidelines and protocols for responding to various emergencies such as fires, medical emergencies, natural disasters, and security threats. Here are some common emergency procedures and the importance of following them:

Fire Emergencies

- Evacuate the building immediately via designated exits.
- Do not use elevators.
- Assist others in evacuating if possible.
- Gather at a designated assembly point.
- Follow instructions from designated fire wardens or emergency responders.

Medical Emergencies

- Assess the situation and call for medical assistance if needed.
- Administer first aid if trained to do so.
- Provide information about the emergency to medical responders.
- Stay with the affected person until help arrives.

Natural Disasters

- Drop, cover, and hold on during earthquakes.
- Seek shelter in a safe location during hurricanes or tornadoes.
- Follow evacuation orders issued by authorities.
- Stay informed about weather updates and warnings.

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

Security Threats

- Follow lockdown procedures if applicable.
- Hide or seek shelter in a safe location.
- Call emergency services and provide information about the threat.
- Follow instructions from law enforcement personnel.

Power Outages

- Report the outage to relevant authorities.
- Turn off electrical appliances to prevent damage from power surges.
- Use flashlights or emergency lighting instead of candles.
- Follow safety guidelines for using generators if available.

Figure 9.3 : Standard emergency procedures for various emergencies

1. Fire Emergencies:

- Evacuate the building immediately via designated exits.
- Do not use elevators.
- Assist others in evacuating if possible.
- Gather at a designated assembly point.
- Follow instructions from designated fire wardens or emergency responders.

Importance: Following fire emergency procedures is crucial for ensuring the safety of everyone in the building. Prompt evacuation reduces the risk of injury or death due to fire or smoke inhalation and allows emergency responders to access the building quickly.

2. Medical Emergencies:

- Assess the situation and call for medical assistance if needed.
- Administer first aid if trained to do so.
- Provide information about the emergency to medical responders.
- Stay with the affected person until help arrives.

Importance: Quick and appropriate response to medical emergencies can help prevent further harm and increase the chances of recovery for the affected individual. Following medical emergency procedures ensures that appropriate care is provided promptly.

**3. Natural Disasters (e.g., Earthquakes, Hurricanes):**

- Drop, cover, and hold on during earthquakes.
- Seek shelter in a safe location during hurricanes or tornadoes.
- Follow evacuation orders issued by authorities.
- Stay informed about weather updates and warnings.

Importance: Natural disasters can cause widespread damage and pose serious risks to life and property. Following emergency procedures helps minimize the impact of disasters and enhances personal safety.

4. Security Threats (e.g., Active Shooter, Bomb Threat):

- Follow lockdown procedures if applicable.
- Hide or seek shelter in a safe location.
- Call emergency services and provide information about the threat.
- Follow instructions from law enforcement personnel.

Importance: Security threats can result in harm to individuals and cause panic and confusion. Following security emergency procedures helps mitigate risks and improves the chances of a safe resolution to the threat.

5. Power Outages:

- Report the outage to relevant authorities.
- Turn off electrical appliances to prevent damage from power surges.
- Use flashlights or emergency lighting instead of candles.
- Follow safety guidelines for using generators if available.

Importance: Power outages can disrupt daily activities and pose safety hazards, especially in critical facilities. Following emergency procedures helps minimize disruptions and ensures the safety of occupants.

Overall, following standard emergency procedures is essential for protecting lives, minimizing damage, and facilitating an effective response to emergencies. Regular training, drills, and awareness campaigns can help ensure that individuals are familiar with emergency procedures and can respond effectively when needed.



Notes



INTEXT QUESTIONS 9.2

1. Inadequate workstation setup is an example of _____.
 - a) Ergonomic Hazards
 - b) Electrical Hazards
 - c) Health Risks
 - d) Stress and Mental Health Hazards
2. Unsafe neighbourhood or location of the workplace is an example of _____.
 - a) Ergonomic Hazards
 - b) Physical Security Risks
 - c) Health Risks
 - d) Stress and Mental Health Hazards
3. Improper storage of flammable materials is an example of _____.
 - a) Ergonomic Hazards
 - b) Fire Safety Risks
 - c) Physical Security Risks
 - d) Stress and Mental Health Hazards
4. Inadequate training or information regarding safety procedures is an example of _____.
 - a) Ergonomic Hazards
 - b) Electrical Hazards
 - c) Communication Hazards
 - d) Stress and Mental Health Hazards
5. Which of the following is not true for the Standard emergency procedures in case of fire emergencies?
 - a) Evacuate the building immediately via designated exits
 - b) Do not use elevators
 - c) Assist others in evacuating if possible
 - d) Wait until help arrives

6. Which of the following shall be done in case of Power Outages?
- a) Report the outage to relevant authorities.
 - b) Turn off electrical appliances to prevent damage from power surges.
 - c) Use flashlights or emergency lighting instead of candles.
 - d) All of these



WHAT YOU HAVE LEARNT

In the dynamic landscape of the insurance industry, the health, safety, and security of employees within the workplace are important. A safe environment boosts employee well-being, productivity, and efficiency. Investing in health, safety, and security isn't just about avoiding liabilities; it's essential for sustainable growth in the insurance industry.

The Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020, aims to consolidate and amend the laws regulating the occupational safety, health, and working conditions of workers, ensuring their welfare and safety across different sectors. It covers establishments with ten or more employees and certain hazardous activities specified by the government and mandates employers to ensure a safe working environment, preventive measures against occupational hazards, and facilities for first aid and emergency response.

Some of the provisions that could be particularly relevant for the insurance industry include the provisions related to the Registration of Establishments, Health and Safety Measures, Working Hours, Leave and Holidays, Employment of Women, Welfare Measures, Appointment of Safety Officers, and Penalties for non-compliance.

Some common steps involved in reporting health and safety hazards in the workplace within the insurance industry or any other sector are Identification of Hazards, Reporting Process, Documentation, Risk Assessment, Corrective Actions, Follow-up and Communication, and Monitoring & Review.

Various hazards should be dealt with safely, and competently, which includes Ergonomic Hazards, Slips, Trips, and Falls, Physical Security Risks, Electrical Hazards, Fire Safety Risks, Health Risks, Stress and Mental Health Hazards, and Communication Hazards. Standard emergency procedures vary depending on the type of emergency, but they generally include guidelines and protocols for responding to various emergencies such as fires, medical emergencies, natural disasters, and security threats.



Notes

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)



TERMINAL QUESTIONS

1. Give a brief overview of the features of the Occupational Safety, Health and Working Conditions (OSHC) Code, 2020.
2. How the health and safety hazards found at the workplace should be reported? Explain its Reporting procedure in detail using examples.
3. What are the different types of hazards present at the workplace?
4. Discuss the Standard emergency procedures for different emergencies and the importance of following them.



ANSWERS TO INTEXT QUESTIONS

9.1

1. d) All of these
2. c) Promotion of employees
3. c) Identification of Hazards
4. d) None of these

9.2

1. a) Ergonomic Hazards
2. b) Physical Security Risks
3. b) Fire Safety Risks
4. c) Communication Hazards
5. d) Wait until help arrives
6. d) All of these



LEARNING OUTCOMES

After studying this chapter, you are able :

- To explain the critical importance of prioritizing health, safety, and security at the workplace. You will also be able to practice the health practices that can help the organisation establish a health, safe and secure workplace.



Module - 5

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-I)

Regulatory Aspects in Insurance



Notes



**10**

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-II)

10.0 INTRODUCTION

In continuation to the previous chapter, this chapter will help you understand why it's really important to make sure the workplace is safe for everyone. We'll cover things like what to do during emergencies, how to call for help if someone gets hurt, and why it's crucial to report any accidents or safety concerns. Let's learn together how to keep our workplace secure and our people protected.



10.1 OBJECTIVES

After reading this lesson, you will be able to:

- State the importance of maintaining high standards of health, safety, and security
- Elaborate the evacuation procedures for workers and visitors during emergencies
- Discuss the ways to summon medical assistance and emergency services during an emergency
- Discuss the importance of reporting health, safety, and accidents at the workplace

10.2 IMPORTANCE OF MAINTAINING HIGH STANDARDS OF HEALTH, SAFETY, AND SECURITY

Maintaining high standards of health, safety, and security is paramount for individuals, organizations, and society as a whole due to several important reasons:

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-II)

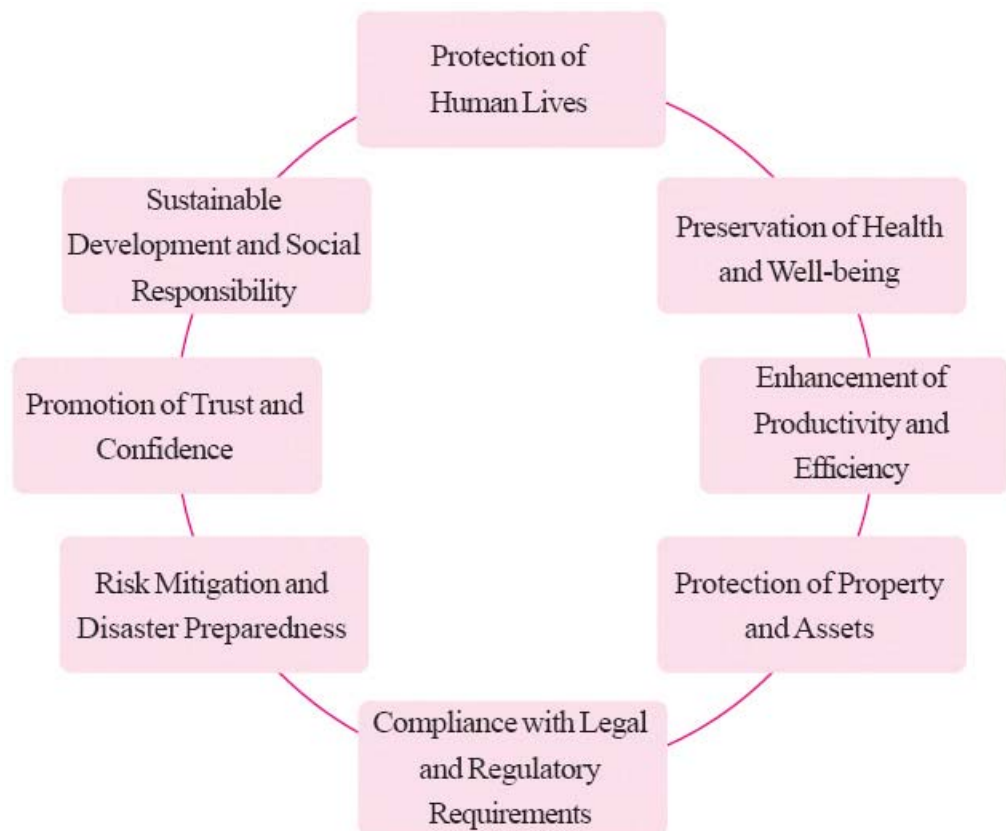


Figure 10.1 : Importance of maintaining high standards of health, safety, and security

1. **Protection of Human Lives:** High standards of health, safety, and security help prevent accidents, injuries, illnesses, and fatalities in workplaces, public spaces, and communities. Prioritizing safety measures saves lives and reduces human suffering.
2. **Preservation of Health and Well-being:** Ensuring a safe and healthy environment promotes physical and mental well-being among individuals. It reduces the risk of occupational hazards, exposure to harmful substances, and the spread of diseases, contributing to a healthier population.
3. **Enhancement of Productivity and Efficiency:** Safe and secure working environments foster a culture of productivity, efficiency, and innovation. Employees can focus on their tasks without fear of accidents or hazards, leading to higher job satisfaction, morale, and performance.
4. **Protection of Property and Assets:** Maintaining security standards helps protect property, assets, and infrastructure from theft, vandalism, sabotage, and other security threats. It safeguards investments and resources, minimizing financial losses and disruptions to operations.



5. **Compliance with Legal and Regulatory Requirements:** Adhering to health, safety, and security standards ensures compliance with laws, regulations, and industry norms. It helps organizations avoid legal liabilities, fines, penalties, and reputational damage resulting from non-compliance.
6. **Risk Mitigation and Disaster Preparedness:** High standards of health, safety, and security enable organizations to identify, assess, and mitigate risks effectively. They facilitate emergency preparedness, response, and recovery efforts in the event of natural disasters, accidents, or security incidents.
7. **Promotion of Trust and Confidence:** Demonstrating a commitment to maintaining high standards of health, safety, and security builds trust and confidence among employees, customers, investors, and other stakeholders. It enhances the reputation and credibility of organizations, leading to stronger relationships and increased loyalty.
8. **Sustainable Development and Social Responsibility:** Integrating health, safety, and security considerations into business operations reflects a commitment to sustainable development and social responsibility. It contributes to the well-being of communities, protects the environment, and supports long-term economic growth and prosperity.

Overall, maintaining high standards of health, safety, and security is essential for safeguarding human lives, promoting well-being, ensuring compliance, mitigating risks, and fostering trust and resilience in individuals, organizations, and societies. It requires a proactive approach, continuous improvement, and collaboration among stakeholders to create safe, healthy, and secure environments for everyone.

10.3 EVACUATION PROCEDURES FOR WORKERS AND VISITORS DURING EMERGENCIES

Evacuation procedures are essential for ensuring the safety of workers and visitors in the event of emergencies such as fires, natural disasters, or security threats. Here's an elaboration on evacuation procedures for workers and visitors:

1. **Preparation and Planning:**
 - Before an emergency occurs, the organization should develop and document evacuation procedures. This includes identifying evacuation routes, assembly points, and procedures for alerting and communicating with employees and visitors.



Notes

- Regular drills and training sessions should be conducted to familiarize everyone with the evacuation procedures and ensure they know what to do in case of an emergency.

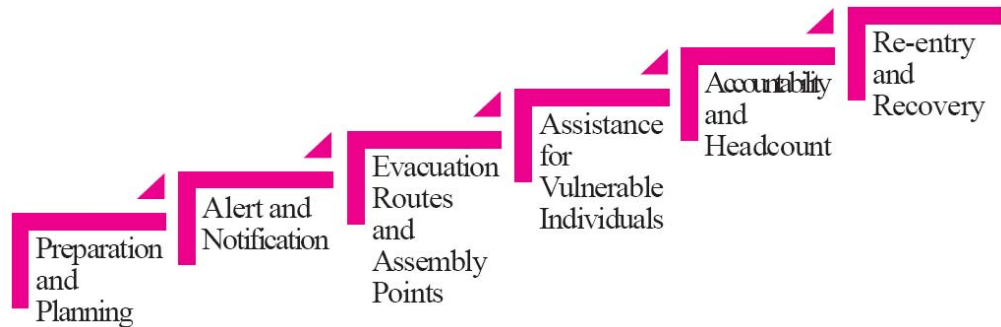


Figure 10.2 : Evacuation procedures during emergencies

2. Alert and Notification:

- In the event of an emergency requiring evacuation, alarms, sirens, or other alert systems should be activated to notify everyone in the building.
- Clear and concise instructions should be communicated through various channels, such as intercom systems, text messages, or designated evacuation wardens, to ensure that workers and visitors are aware of the situation and know what actions to take.

3. Evacuation Routes and Assembly Points:

- Evacuation routes should be marked with signs and illuminated exit signs to guide workers and visitors to safety.
- Multiple evacuation routes should be available to accommodate different scenarios and prevent congestion or bottlenecks.
- Designated assembly points located at a safe distance from the building should be identified where workers and visitors can gather after evacuating. These assembly points should be easily accessible and well-known to everyone.

4. Assistance for Vulnerable Individuals:

- Special arrangements should be made to assist individuals with disabilities, injuries, or mobility issues during evacuation. This may include providing evacuation chairs, assigning buddies for assistance, or implementing specific procedures for their safe evacuation.
- Visitors should be made aware of evacuation procedures upon entry to the premises and provided with assistance if needed.

**5. Accountability and Headcount:**

- Evacuation procedures should include protocols for accounting for all workers and visitors to ensure that everyone has evacuated safely.
- Designated personnel, such as evacuation wardens or supervisors, should conduct headcounts at assembly points and report any missing persons to emergency responders.

6. Re-entry and Recovery:

- Once the emergency has been resolved and it is safe to do so, workers and visitors should be allowed to re-enter the building under the guidance of emergency responders or designated personnel.
- Post-evacuation debriefings and assessments should be conducted to identify any areas for improvement in evacuation procedures and make necessary adjustments.

By following these evacuation procedures, organizations can effectively ensure the safety and well-being of their workers and visitors during emergencies and minimize the risk of injuries or fatalities. Regular practice, communication, and coordination are key to successful evacuations.

10.4 WAYS TO SUMMON MEDICAL ASSISTANCE AND EMERGENCY SERVICES DURING AN EMERGENCY

Summoning medical assistance and emergency services promptly is critical in ensuring timely and effective response to medical emergencies. Here are several ways to summon medical assistance and emergency services when necessary:

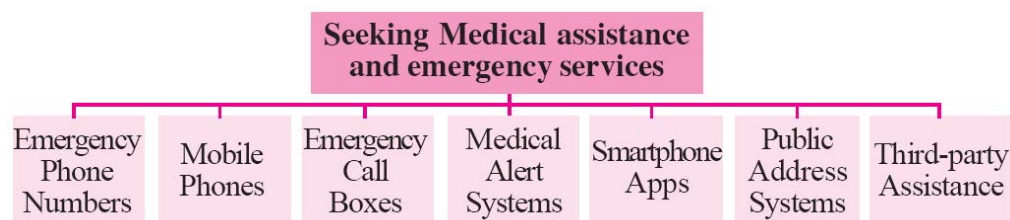


Figure 10.3 : Summoning medical assistance and emergency services

1. Emergency Phone Numbers:

In many countries, including India, emergency services such as ambulances, fire, and police can be contacted by dialling a specific emergency phone number. In India, the universal emergency number is 112, which connects callers to emergency services.



2. Mobile Phones:

Using a mobile phone to call emergency services is one of the quickest and most accessible ways to summon help. Keep emergency contact numbers saved in your phone's contacts list for easy access during emergencies.

3. Emergency Call Boxes:

In public places, emergency call boxes or telephones may be installed to allow individuals to directly contact emergency services without needing a mobile phone. These are often located in airports, train stations, universities, and other high-traffic areas. The same can be installed in the buildings where a large number of employees work.

4. Medical Alert Systems:

Medical alert systems, commonly used by elderly individuals or those with medical conditions, allow users to summon medical assistance with the press of a button. These systems are typically worn as a pendant or bracelet and connect the user to a monitoring centre that can dispatch help when needed.

5. Smartphone Apps:

There are smartphone apps available that allow users to quickly call for medical assistance and provide their location to emergency services. Some apps also include additional features such as first aid instructions or emergency contacts.

6. Public Address Systems:

In large facilities such as airports, shopping malls, or stadiums, public address systems can be used to broadcast emergency announcements and provide instructions for summoning medical assistance.

7. Third-party Assistance:

If you are unable to summon medical assistance yourself, ask someone nearby to call for help on your behalf. In public places, alerting staff or security personnel can also be an effective way to get medical assistance quickly. Alarms or other suitable devices could be used to alert the staff or administration about the possible danger.

It's important to remain calm and provide clear information about the nature of the emergency, the location, and any other relevant details when contacting emergency services. Training in basic first aid and CPR can also be valuable in providing immediate assistance while waiting for professional help to arrive.



INTEXT QUESTIONS 10.1

1. Which of the following explains the Importance of maintaining high standards of health, safety, and security?
 - a) It can help you protect Human Lives
 - b) It can help you enhance Productivity and Efficiency
 - c) It can help in Compliance with Legal and Regulatory Requirements
 - d) All of these

2. Which of the following shows the right sequence of the evacuation procedure during emergencies?
 - a) Preparation and Planning - Alert and Notification - Evacuation Routes and Assembly Points - Assistance for Vulnerable Individuals - Accountability and Headcount- Re-entry and Recovery
 - b) Accountability and Headcount - Preparation and Planning - Alert and Notification - Evacuation Routes and Assembly Points - Assistance for Vulnerable Individuals - Re-entry and Recovery
 - c) Re-entry and Recovery - Preparation and Planning - Alert and Notification - Evacuation Routes and Assembly Points - Assistance for Vulnerable Individuals - Accountability and Headcount
 - d) Preparation and Planning - Accountability and Headcount- Re-entry and Recovery - Alert and Notification - Evacuation Routes and Assembly Points - Assistance for Vulnerable Individuals

3. Which of the following is the first step in the evacuation procedure during emergencies?
 - a) Accountability and Headcount
 - b) Evacuation Routes and Assembly Points
 - c) Preparation and Planning
 - d) Assistance for Vulnerable Individuals

Regulatory Aspects in Insurance



Notes

Module - 5

Regulatory Aspects in Insurance



HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-II)

4. Which of the following could be used as a way to summon medical assistance and the emergency services
- a) Mobile Phones
 - b) Public Address Systems
 - c) Third-party Assistance
 - d) All of these

10.5 IMPORTANCE OF REPORTING HEALTH, SAFETY, AND ACCIDENT AT THE WORKPLACE

Reporting health, safety and accidents in the workplace is crucial for several reasons:

Prevention and Mitigation

Protection of Workers

Legal Compliance

Data Collection and Analysis

Continuous Improvement

Employee Engagement and Participation

Risk Management

Accountability and Transparency

Figure 10.4 :Importance of reporting the health, safety, and accident at the workplace

1. **Prevention and Mitigation:** Reporting health and safety concerns, hazards, or accidents allows for timely intervention to prevent further incidents. Identifying potential risks early enables organizations to implement corrective measures to mitigate the risk of accidents or injuries occurring in the future.
2. **Protection of Workers:** Reporting accidents or unsafe conditions helps ensure the protection of workers' health and safety. Prompt reporting allows for appropriate medical treatment and support to be provided to injured employees, reducing the severity of injuries and promoting faster recovery.



3. **Legal Compliance:** Reporting health, safety, and accidents is often a legal requirement mandated by occupational health and safety regulations. Compliance with reporting obligations helps organizations avoid penalties, fines, or legal liabilities resulting from non-compliance with regulatory requirements.
4. **Data Collection and Analysis:** Reporting health, safety, and accidents provides valuable data that can be used to analyze trends, identify patterns, and assess risks within the workplace. This data can inform decision-making processes, resource allocation, and the development of targeted interventions to improve health and safety outcomes.
5. **Continuous Improvement:** Reporting incidents and accidents fosters a culture of continuous improvement within organizations. By analyzing incident reports and identifying root causes, organizations can implement corrective actions and preventive measures to address underlying issues and enhance safety performance over time.
6. **Employee Engagement and Participation:** Encouraging employees to report health, safety, and accidents promotes engagement and participation in safety initiatives. Employees who feel empowered to report hazards or concerns are more likely to take an active role in promoting a safe work environment and contributing to the overall success of the organization.
7. **Risk Management:** Reporting health, safety, and accidents is an integral part of risk management processes. By proactively identifying and addressing risks, organizations can minimize the likelihood and impact of accidents, protect assets, and safeguard the reputation and financial stability of the organization.
8. **Accountability and Transparency:** Reporting health, safety, and accidents demonstrates organizational accountability and transparency. It shows a commitment to honesty, integrity, and ethical behaviour, which builds trust and confidence among employees, stakeholders, and the broader community.

In summary, reporting health, safety, and accidents is essential for preventing injuries, ensuring legal compliance, collecting valuable data, driving continuous improvement, engaging employees, managing risks, and demonstrating accountability and transparency. It is a fundamental aspect of promoting a safe and healthy work environment and protecting the well-being of employees.

Module - 5

Regulatory Aspects in Insurance



Notes

HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-II)



WHAT YOU HAVE LEARNT

Maintaining high standards of health, safety, and security is paramount for individuals, organizations, and society as a whole due to several important reasons which includes the protection of Human Lives, Preservation of Health and Well-being, Enhancement of Productivity and Efficiency, Protection of Property and Assets, Compliance with Legal and Regulatory Requirements, Risk Mitigation and Disaster Preparedness, Promotion of Trust and Confidence, and Sustainable Development & Social Responsibility. It requires a proactive approach, continuous improvement, and collaboration among stakeholders to create safe, healthy, and secure environments for everyone.

Evacuation procedures are essential for ensuring the safety of workers and visitors in the event of emergencies such as fires, natural disasters, or security threats. By following these evacuation procedures, organizations can effectively ensure the safety and well-being of their workers and visitors during emergencies and minimize the risk of injuries or fatalities.

Summoning medical assistance and emergency services promptly is critical in ensuring timely and effective response to medical emergencies. Emergency Phone Numbers, Mobile Phones, Emergency Call Boxes, Medical Alert Systems, Smartphone Apps, Public Address Systems, and Third-party Assistance could be used for seeking Medical assistance and emergency services.

Reporting health, safety, and accidents is essential for preventing injuries, ensuring legal compliance, collecting valuable data, driving continuous improvement, engaging employees, managing risks, and demonstrating accountability and transparency.



TERMINAL QUESTIONS

1. Why do you think maintaining high standards of health, safety, and security is important for organisations?
2. Elaborate the evacuation procedures for workers and visitors during emergencies.
3. Discuss the ways to summon medical assistance and emergency services during an emergency
4. Discuss the importance of reporting health, safety, and accidents at the workplace

**ANSWERS TO INTEXT QUESTIONS****10.1**

1. d) All of these
2. a) Preparation and Planning - Alert and Notification - Evacuation Routes and Assembly Points - Assistance for Vulnerable Individuals - Accountability and Headcount- Re-entry and Recovery
3. c) Preparation and Planning
4. d) All of these

**LEARNING OUTCOMES**

After studying this chapter, you are able :

- To Recognize the critical importance of maintaining high standards of health, safety, and security in the workplace, understanding their profound impact on employee well-being, organizational reputation, and overall productivity.
- To Evaluate and implement strategies for summoning medical assistance and emergency services promptly during workplace emergencies, demonstrating proficiency in assessing the severity of injuries or medical conditions, utilizing communication tools, and collaborating with relevant authorities to expedite response times.

Regulatory Aspects in Insurance



Notes

Module - 5

Regulatory Aspects in Insurance



HEALTH, SAFETY AND SECURITY AT THE WORKPLACE (PART-II)

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