

The Insurance Act, 1938

(4 OF 1938)

Last Updated 21st December, 2019 [14/656]

[26th February, 1938]

An Act to consolidate and amend the law relating to the business of insurance.

Whereas it is expedient to consolidate and amend the law relating to the business of insurance; It is hereby enacted as follows:-

LEGISLATIVE HISTORY ▼

- Insurance (Amendment) Act, 1939 (11 of 1939)
- Insurance (Amendment) Act, 1939 (41 of 1939)
- Insurance (Amendment) Act, 1940 (20 of 1940)
- Insurance (Amendment) Act, 1941 (13 of 1941)
- Insurance (Amendment) Act, 1942 (25 of 1942)
- Insurance (Amendment) Act, 1944 (7 of 1944)
- Insurance (Amendment) Act, 1946 (6 of 1946)
- Insurance (Amendment) Act, 1948 (10 of 1948)
- Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948
- Adaptation of Laws Order, 1950
- Insurance (Amendment) Act, 1950 (47 of 1950)
- Insurance (Amendment) Act, 1955 (18 of 1955)
- Insurance (Second Amendment) Act, 1955 (54 of 1955)
- Jammu and Kashmir (Extension of Laws) Act, 1956 (62 of 1956)
- Adaptation of Laws (No. 3) Order, 1956
- Insurance (Amendment) Act, 1957 (35 of 1957)
- Repealing and Amending Act, 1957 (36 of 1957)
- Insurance (Amendment) Act, 1961 (11 of 1961)
- Insurance (Amendment) Act, 1965 (32 of 1965)
- Insurance (Amendment) Act, 1968 (62 of 1968)
- Delegated Legislation Provisions (Amendment) Act, 1983 (20 of 1983)
- Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)
- Insurance (Amendment) Act, 2002 (42 of 2002)
- Companies (Second Amendment) Act, 2002 (11 of 2003)
- Special Economic Zones Act, 2005 (28 of 2005)
- Securities And Insurance Laws (Amendment And Validation) Act, 2010 (NO. Act 26 OF 2010)
- Insurance Laws (Amendment) Act, 2015 (No. 5 of 2015)

□ International Financial Services Centres Authority Act, 2019 (50 of 2019)

FACT SHEET ▼

1. Brought into force on 1-7-1939. See Notification No. 589-I(4)/38, dated 1-4-1939, Gazette of India, 1939, Pt. I, p. 631.
2. 1st August, 1942, for all insurers in States excepting those in Baroda and Mysore.

Part I

Preliminary

1. Short title, extent and commencement. - (1) This Act may be called The Insurance Act, [1938].

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

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

Object & Reasons ▼

Statement of Object and Reasons.-The law relating to insurance in British India is contained in Act 5 of 1912, which regulates Provident Insurance Societies Act 6 of 1912, which regulates Life Insurance Companies, and Act 20 of 1928, which amended the latter in certain respect but was primarily aimed at providing for the collection of statistical information in respect of insurance business other than life insurance business carried on in India by external companies.

The marked increase in the volume of life insurance business, and the development of other forms of insurance business in British India since 1912 soon suggested that more comprehensive legislation was needed. A Bill was prepared in 1925 to extend to other classes of insurance business the supervision already exercised over life insurance. The appointment in England almost simultaneously of a departmental committee presided over by Mr. A.C. Clauson, K.C., to report on the amendment of the Insurance Companies Act, 1909, on which the Indian Act 6 of 1912 had been largely based, decided by Government of India to postpone that Bill, and await the legislation resulting from the Clauson enquiry. The enquiry, however, though completed in 1927, was not immediately followed by, and has not yet resulted in legislation in England, although the report of the committee, contained in a draft Bill embodying the recommendations of the committee for the re-enactment of 1909 Act with extensive modifications. In the meantime, Act 20 of 1928 was passed by the Indian Legislature, and it was hoped that the information collected through it would be of value when the time come to consider the problems affecting Indian insurance.

In 1935, the Government decided to proceed with the reform of insurance law without waiting for the enactment of legislation in England. Mr. S.C.

Sen was placed on special duty to examine the material which had been collected concerning the amendment of company law in general, and insurance law in particular. In 1936, the Indian Companies (Amendment) Act, 1936, was passed. The project of revising the law of insurance was at once taken up. A small advisory committee of experts representing various interests was assembled in the autumn of 1936 to consider in detail the various recommendations contained in Mr. Sen's report. This Bill embodies the proposals which Government has decided to submit to the Legislature after consideration of Mr. Sen's recommendations and the opinions of the advisory committee.

The draft Bill includes one enactment the subjects dealt with by the two separate Acts of 1912, but relegates the provisions relating to Provident Insurance Societies to a separate Part.

It provides inter alia for the following matters. It increases the supervision exercised over all concerns transacting insurance business of whatever kind in British India, whether these are indigenous concerns, or external companies represented in India by branches or agencies, and treats agents acting for Lloyds' underwriter on the same basis as such branches or agencies. Registration formerly unnecessary except for Provident Insurance Societies is proposed for general application, and the principle of exacting deposits, hitherto applies only to indigenous companies transacting life insurance business, has been similarly extended. The amount of deposit has been increased with the object of more effectively discouraging the formation of companies inadequately financed, and where the business of life insurance is to be carried on a minimum net sum of Rs. 50,000 is required as working capital. Provision is made for full disclosure of the information required to ensure sound principles of finance and management. Powers to enforce punctual submission of returns and to ensure their accuracy, and additional powers of inspection of insurance companies are taken. External companies are required to keep in their principal offices in British India the accounts and other documents by which their returns concerning their business in India can be checked. Certain restrictions are imposed on the investment of the funds of insurance companies, and external concerns are required to keep a portion of their assets invested in Indian Government Securities. The existing provisions of the law relating to winding up of insurance companies and to the amalgamation and transfer of insurance business have been enlarged. Provisions have been inserted to regulate the assignment and transfer of policies of life insurance and the making of nominations. Power is given to companies to pay into Court monies due under a policy where there is difficulty in securing a proper discharge. It is proposed to prohibit the employment of Managing Agents in future and to bring existing Managing Agencies to an early end. In order to secure fair treatment for Indian insurance companies operating in foreign countries power is taken to

subject the nationals of a foreign country to any restrictions that are imposed in that country on Indian Insurance concerns operating there. Certain proposals are put forward aimed at checking the practice of rebating and the payment of excessive commission. These include provision for the licensing of insurance agents. The administration of the Act will be carried out through the Superintendent of Insurance, who will normally be the Government Actuary. To him also is assigned the supervision of Provident Insurance Societies.

The provisions relating to Provident Insurance Society subject these to much more effective supervision than his hitherto been exercised. The name adopted by any such society will indicate its status. Business on the dividing principle is prohibited so that societies dependent on this class of business will disappear. A minimum initial working capital is required, and the principle of deposits is applied. The rules of a society will disclose fuller information of the working of the society. All schemes of insurance operated by a society are to be subjected to actuarial examination so that unsound schemes may be eliminated, and periodical actuarial investigation must be made into the financial condition of the society. Proper books of account must be maintained and the accounts must be audited. Separate classes of business must be brought separately to account, and a separate fund must be maintained in connection with a particular group of contingencies. Assets are further protected by a provision requiring the investment in trust securities of a certain percentage of the total assets. Increased powers of inspection and enquiry are taken. Other features of this part are the application to policies issued by Provident Societies of the provisions governing transfer and assignment of life insurance policies and nominations. Liquidation procedure formerly governed by rules made by the Local Government is now to be provided for in the Act itself.

Amendment Act 47 of 1950-Statement of Objects and Reasons.-A Bill to amend the Insurance Act, 1938 was pending in the Constituent Assembly (Legislative) and it was with the permission of the House withdrawn in January, 1948 in order to enable reconsideration of the provisions thereof in the light of the changed conditions arising out of the partition and the changed constitutional position. That Bill contained provisions designed to implement the main recommendations made in 1945 by a Committee constituted under the Chairmanship of Sir Cowasjee Jehangir. That Committee, it may be recalled, went into the question of frequent changes in the management of Insurance Companies and other undesirable features in the administration of insurance Companies. There was also, in the Bill, other provisions limiting the commission method of payment of remuneration and placing a limitation on the expenses of insurers, and was in the form in which the Select Committee of the old Legislative Assembly had altered it in March, 1947.

2. The Government appointed an Informal Committee of persons

knowledgeable in insurance matters to examine the provisions of the above Bill and also to review all the provisions of the Insurance Act with a view to suggesting suitable amendments having regard to the changed circumstances. The report of this Committee was further considered by the Insurance Advisory Committee and the present Bill aims to incorporate in the few provisions which Government in the light of all this further examination, consider desirable.

3. This Bill incorporates the main provisions in the old Bill which aim at (i) making it difficult for designing financiers to get control of insurance companies or to use insurance funds for speculative purposes, and (ii) preventing interlocking of interests between insurance companies and banks. In the matter of limitation of overall expenses, however, present opinion is that it would be inadvisable to follow the some what rigid lines of the provisions in the old Bill. Instead, it is proposed that a statutory recognised association of insurers should be formed with two executive committees-one for the life business and the other for the general business-to determine annually the reasonable limits for expenses of insurers having regard to all the circumstances relevant thereto during the year and to recommend to Government action in respect of those that exceed the reasonable limit.

4. Provisions have also been included to strengthen Government's control over insurers by inspection of the insurers books, whenever required, to liberalise the conditions of service of insurance agents and to enable the conversion by a less tedious procedure of proprietary joint stock insurance companies into mutual companies. It is also proposed to institute a class of Approved Investments and to fix the minimum proportions of the Indian Life Insurance Fund that should remain invested in Government Securities, Approved Securities and Approved Investments.

Amendment Act 11 of 1965-Statement of Objects and Reasons.-Re-insurance is an essential part of general insurance business. At present insurance companies operating in India are dependent on companies outside India for a very large part of their requirement in this connection and more often than not enter into disadvantageous arrangements. Moreover reinsurance with companies outside India results in the loss of foreign exchange. The present Bill is intended to foster the growth of Indian re-insurance companies and also to save foreign exchange.

2. The Bill seeks to provide that every insurance company operating in India must reinsure a certain percentage of its business with Indian re-insurance companies approved in this behalf by the Central Government. Power is being conferred on the Central Government to fix this percentage but this power will be exercisable only after consultation with the Advisory Committee constituted of five persons having specialised knowledge and experience in insurance business. Power is also conferred on the Central Government to allocate the percentage so fixed amongst the approved

Indian re-insurance companies.

Amendment Act 32 of 1965-Statement of Objects and Reasons.-In terms of sub-section (6) of section 3 of the Insurance Act, 1938, it is mandatory on the part of the Controller of Insurance to grant a certificate of registration to an applicant if the requirements as to registration under the Act are complied with. It is not, however, a requirement that the Controller should satisfy himself about the financial condition and the general character of management of the applicant so that the interests of the policy-holders are adequately safeguarded. The Government considers that such a requirement is necessary and that the entry of new insurers should be related to the volume of business available so that uneconomic units which may act as a drag on the insurance industry are not allowed to grow. The Bill is intended mainly to give effect to these objects.

Amendment Act 62 of 1968-Statement of Objects and Reasons.-With a view to promoting the development of general insurance business on sound lines and to eliminate undesirable practices in the business, this Bill provides for more effective supervision and control over insurers. The main provisions are:-

- (a) Restriction on shareholding and voting rights.
- (b) Regulation of investments.
- (c) Increase in the deposit of Rs. 20 lakhs for one or more classes of insurance business.
- (d) Maintenance by insurers of minimum solvency margin.
- (e) Power to the Controller of Insurance to carry out routine or surprise inspections and issue directions.
- (f) Power to the Controller of Insurance to appoint Directors on the Board of Directors or Observers.
- (g) Power to the Controller of Insurance to enforce amalgamations of insurers.
- (h) Power to the Central Government to take over an insurer.
- (i) Power to the Controller of Insurance to regulate and fix premium rates and for that purpose placing the Tariff Committee of the General Insurance Council under him.
- (j) Requirement that all claims above a certain limit should be surveyed by approved surveyors.
- (k) Requirement that the appointment or removal of principal officers should be approved by the Controller of Insurance.
- (l) Reduction of agent's commission in fire business.

A few other amendments of an urgent nature are also incidentally

included.

Amendment Act 42 of 2002-Statement of Objects and Reasons.-The Insurance Regulatory and Development Authority Act, 1999, was passed by Parliament in December, 1999 by which the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972 were amended to remove the exclusive privilege of nationalised insurance companies to transact life and general insurance business and allow for entry of private sector players in the insurance sector. It also provided for the setting up of a statutory regulatory authority to regulate, promote and ensure orderly growth of the insurance industry.

2. The Insurance Regulatory and Development Authority has been established on the 19th April, 2000. The Authority has made regulations in all major areas of operations in the insurance industry and matters connected therewith. Certificates of Registration have been issued to twelve new private companies and some of them have already commenced insurance business.

3. The Insurance Act, 1938 allows for only Indian insurance companies registered under the Companies Act, 2013 to transact insurance business in India after registration with the Insurance Regulatory and Development Authority. Several representations have been received to allow entry of co-operatives into the insurance sector. It is now proposed to amend the Insurance Act, 1938 to allow their entry and to make necessary provisions in this regard. It is expected that the entry of co-operatives in the insurance sector would increase the insurance coverage, especially in rural areas.

4. For the smooth functioning of the insurance sector, some further amendments to the Insurance Act, 1938 are also required. The Insurance (Amendment) Bill, 2002, inter alia, contains provisions relating to payment of commission and fee for insurance intermediaries, allowing flexibility in the eligibility qualifications for corporate agents, allowing a more flexible mode of payment of premium through credit cards, smart cards, internet, etc., to be specified by the regulations to be made by the Authority, change in the allocation of surplus of life insurance business and consequential amendments for the smooth functioning of the sector.

2. Definitions. - In this Act, unless there is anything repugnant in the subject or context,-

[(1) "actuary" means an actuary as defined in clause (a) of sub-section (1) of section 2 of the Actuaries Act, 2006;

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

[(2) "policy-holder" includes a person to whom the whole of the interest of the policy-holder in the policy is assigned once and for all, but does not

include an assignee thereof whose interest in the policy is defeasible or is for the time being subject to any condition;]

[(3) "approved securities" means-

(i) Government securities and other securities charged on the revenues of the Central Government or of the Government of a] [* * *][State or guaranteed fully as regards principal and interest by the Central Government, or the Government of any] [* * *][State;]

[(ii) debentures or other securities for money issued under the authority of any Central Act or Act of a State Legislature by or on behalf of a port trust or municipal corporation or city improvement trust in any presidency-town;

(iii) shares of a corporation established by law and guaranteed fully by the Central Government or the Government of a] [* * *][State as to the re-payment of the principal and the payment of dividend;

(iv) securities issued or guaranteed fully as regards principal and interest by the Government of any Part B State and specified as approved securities for the purposes of this Act by the Central Government by notification in the Official Gazette; and]

[* * *]

[*Explanation* .-In sub-clauses (i) and (iii), "Government of a State" in relation to any period before the 1st November, 1956, means the Government of a Part A State.]

[(4) "auditor" means a person qualified under the Chartered Accountants Act, 1949 (38 of 1949), to act as an auditor of companies;]

[(4-A) "banking company" and "company" shall have the meanings respectively assigned to them in clauses (c) and (d) of sub-section (1) of section 5 of the Banking Companies Act, 1949 (10 of 1949);]

(5) "certified" in relation to any copy or translation of a document required to be furnished by or on behalf of [an insurer or a provident society as defined in Part III] means certified by a principal officer of [such insurer or provident society] to be a true copy or a correct translation, as the case may be;

[* * *]

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

(6) "Court" means the principal Civil Court of original jurisdiction in a district, and includes the High Court in exercise of its ordinary original civil jurisdiction;

[(6-A) "fire insurance business" means the business of effecting, otherwise than incidentally to some other class of insurance business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies;

(6-B) "general insurance business" means fire, marine or miscellaneous insurance business, whether carried on singly or in combination with one or more of them;]

[(6C) "health insurance business" means the effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient travel cover and personal accident cover;]

[(7) "Government security" means a Government security as defined in the Public Debt Act, 1944;]

[(7A) "Indian insurance company" means any insurer, being a company which is limited by shares, and,-

(a) which is formed and registered under the Companies Act, 2013 as a public company or is converted into such a company within one year of the commencement of the Insurance Laws (Amendment) Act, 2015;

(b) in which the aggregate holdings of equity shares by foreign investors, including portfolio investors, do not exceed forty-nine per cent. of the paid up equity capital of such Indian insurance company, which is Indian owned and controlled, in such manner as may be prescribed.

Explanation. - For the purposes of this sub-clause, the expression "control" shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

(c) whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business or health insurance business;]

[* * *]

[(8-A) "insurance co-operative society" means any insurer being a co-operative society,-

(a) which is registered on or after the commencement of the Insurance (Amendment) Act, 2002, as a co-operative society under the Co-operative Societies Act, 1912 (2 of 1912) or under any other law for the time being in force in any State relating to co-operative societies or under the Multi-State Co-operative Societies Act, 1984 (51 of 1984);

[(b) having a minimum paid-up capital of rupees one hundred crore in case of life insurance business, general insurance business and health insurance business;]

(c) in which no body corporate, whether incorporated or not, formed or registered outside India, either by itself or through its subsidiaries or nominees, at any time, holds more than twenty-six per cent. of the capital of such co-operative society;

(d) whose sole purpose is to carry on life insurance business or [or health insurance business] in India;]

[(9) "insurer" means-

(a) an Indian Insurance Company, or

(b) a statutory body established by an Act of Parliament to carry on insurance business, or

(c) an insurance co-operative society, or

(d) a foreign company engaged in re-insurance business through a branch established in India.

Explanation. - For the purposes of this sub-clause, the expression "foreign company" shall mean a company or body established or incorporated under a law of any country outside India and includes Lloyd's established under the Lloyd's Act, 1871 (United Kingdom) or any of its Members;]

(10) "insurance agent" means an insurance agent [* * *] [* * *] who receives or agrees to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business [including business relating to the continuance, renewal or revival of policies of insurance];

[(10-A) "investment company" means a company whose principal business is the acquisition of shares, stocks, debentures or other securities;]

[(10-B) "intermediary or insurance intermediary" shall have the meaning assigned to it in clause (f) of sub-section (1) of section 2 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);]

[(11) "life insurance business" means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life, and any contract which is subject to payment of premiums for a term dependent on human life and shall be deemed to include-

(a) the granting of disability and double or triple indemnity accident benefits, if so provided in the contract of insurance;

(b) the granting of annuities upon human life, and

(c) the granting of superannuation allowances and [benefit payable out of any fund] applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment or of the dependents of such persons;]

[Explanation.- For the removal of doubts, it is hereby declared that "life insurance business" shall include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a component of investment and a component of insurance issued by an insurer referred to in clause (9) of this section.]

[* * *]

[* * *]

[(13-A) "marine insurance business" means the business of effecting contracts of insurance upon vessels of any description, including cargoes, freights and other interests which may be legally insured, in or in relation to such vessels, cargoes and freights, goods, wares, merchandise and property of whatever description insured for any transit by land or water, or both, and whether or not including warehouse risks or similar risks in addition or as incidental to such transit, and includes any other risks customarily included among the risks insured against in marine insurance policies;

(13-B) "miscellaneous insurance business" means the business of effecting contracts of insurance which is not principally or wholly of any kind or kinds included in clauses (6-A), (11) and (13-A);]

[(13-BA) "National Company Law Tribunal" means the National Company Law Tribunal constituted under section 10-FB of [the Companies Act, 2013 (18 of 2013)];

(13-BB) "National Company Law Appellate Tribunal" means the National Company Law Appellate Tribunal constituted under sub-section (1) of section 10-FR of [the Companies Act, 2013 (18 of 2013)];]

(14) "prescribed" means prescribed by rules made under [this Act]; and

[* * *]

[* * *]

(16) "private company" and "public company" have the meanings respectively assigned to them in [clauses (68) and clause (72) of section 2 of the the Companies Act, 2013 (18 of 2013)];

[(16A) "regulations" means the regulations framed by the Insurance Regulatory and Development Authority of India established under the Insurance Regulatory and Development Authority Act, 1999;

(16B) "re-insurance" means the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium;

(16C) "Securities Appellate Tribunal" means the Securities Appellate Tribunal established under section 15K of the Securities and Exchange Board of India Act, 1992;]

[* * *].

[2A. Interpretation of certain words and expressions. - Words and expressions used and not defined in this Act but defined in the Life Insurance Corporation Act, 1956 (31 of 1956), the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and the Insurance

Regulatory and Development Authority Act, 1999 (41 of 1999) shall have the meanings respectively assigned to them in those Acts.]

[2B. Appointment of Controller of Insurance. -][(1) If at any time, the Authority is superseded under sub-section (1) of section 19 of the Insurance Regulatory and Development Authority Act, 1999, the Central Government may, by notification in the Official Gazette, appoint a person to be the Controller of Insurance till such time the Authority is reconstituted under sub-section (3) of section 19 of that Act.]

[(2) In making any appointment under this section, the Central Government shall have due regard to the following considerations, namely, whether the person to be appointed has had experience in industrial, commercial or insurance matters and whether such person has actuarial qualifications.]

PART II

Provisions Applicable To Insurers

[2C. Prohibition of transaction of insurance business by certain persons. - (1) Save as hereinafter provided, no person shall, after the commencement of the Insurance (Amendment) Act, 1950, begin to carry on any class of insurance business in [India][and no insurer carrying on any class of insurance business in] [India] shall, after the expiry of one year from such commencement, continue to carry on any such business unless he is-

(a) a public company, or

(b) a society registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force in any State relating to co-operative societies, or

(c) a body corporate incorporated under the law of any country outside] [India][not being of the nature of a private company:

Provided that the Central Government may, by notification in the Official Gazette, exempt from the operation of this section to such extent for such period and subject to such conditions as it may specify, any person or insurer for the purpose of carrying on the business of granting superannuation allowances and annuities of the nature specified in sub-clause (c) of clause (11) of section 2 or for the purpose of carrying on any general insurance business:

Provided further that in the case of an insurer carrying on any general insurance business no such notification shall be issued having effect for more than three years at any one time:]

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

[Provided also an insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of this sub-section carrying on the business of insurance, may carry on any business of insurance in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005).

(2) Every notification issued under sub-section (1) shall be laid before Parliament as soon as may be after it is issued.]

[(3) Notwithstanding anything contained in sub-section (1), an insurance co-operative society may carry on any class of insurance business in India under this Act on or after the commencement of the Insurance (Amendment) Act, 2002.]

[2CA. Power of Central Government to apply provisions of this Act to Special Economic Zones. - The Central Government may, by notification, direct that any of the provisions of this Act,-

(a) shall not apply to insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2-C, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005); or

(b) shall apply to any insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2-C, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005) only with such exceptions, modifications and adaptations as may be specified in the notification.]

[2CB. Properties in India not to be insured with foreign insurers except with the permission of Authority. - (1) No person shall take out or renew any policy of insurance in respect of any property in India or any ship or other vessel or aircraft registered in India with an insurer whose principal place of business is outside India save with the prior permission of the Authority.

(2) If any person contravenes the provision of sub-section (1), he shall be liable to a penalty which may extend to five crore rupees.]

[2D. Insurers to be subject to this Act while liabilities remain unsatisfied. - Every insurer shall be subject to all the provisions of this Act in relation to any class of insurance business so long as his liabilities in [India][in respect of business of that class remain unsatisfied or not otherwise provided for.

2E.[* * *]

3. Registration. - (1) No [person] shall, after the commencement of this Act, begin to carry on any class of insurance business in [India] and no insurer carrying on any class of insurance business in [India] shall, after the

expiry of three months from the commencement of this Act, continue to carry on any such business, unless he has obtained from the [Authority] a certificate of registration [for the particular class of insurance business]:

[Provided that in the case of an insurer who was carrying on any class of insurance business in][India][at the commencement of this Act, failure to obtain a certificate of registration in accordance with the requirements of this sub-clause shall not operate to invalidate any contract of insurance entered into by him if before][such date as may be fixed in this behalf by the Central Government by notification in the Official Gazette][, he has obtained that certificate:]

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

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

[(2) Every application for registration shall be made in such manner and shall be accompanied by such documents as may be specified by the regulations.]

OLD LAW ▼

[(2) Every application for registration shall be made in such manner as may be determined by the regulations made by the Authority and shall be accompanied by-]

- (a) a certified copy of the memorandum and articles of association, where the applicant is a company and incorporated under the [the Companies Act, 2013 (18 of 2013)], [or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby,] or, in the case of any other insurer specified in sub-clause (a)(ii) or sub-clause (b) of clause (9) of section 2, a certified copy of the deed of partnership or of the deed of constitution of the company, as the case may be, or in the case of an insurer having his principal place of business or domicile outside [India], the document specified in clause (a) of section 63;
- (b) the name, address and the occupation, if any, of the directors where the insurer is a company incorporated under the [the Companies Act, 2013 (18 of 2013)], [or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby,] and in the case of an insurer specified in sub-

clause (a)(ii) of clause (9) of section 2, the names and addresses of the proprietors and of the manager in [India], and in any other case the full address of the principal office of the insurer in [India], and the names of the directors and the manager at such office and the name and address of some one or more persons resident in [India] authorised to accept any notice required to be served on the insurer;

- (c) a statement of the class or classes of insurance business done or to be done, and a statement that the amount required to be deposited by section 7 or section 98 before application for registration is made has been deposited together with a certificate from the Reserve Bank of India showing the amount deposited;
- (d) where the provision of section 6 or section 97 apply, a declaration verified by an affidavit made by the principal officer of the insurer authorised in that behalf that the provisions of those sections as to [paid-up equity capital or working capital] have been complied with;
- (e) in the case of an insurer having his principal place of business or domicile outside [India], a statement verified by an affidavit made by the principal officer of the insurer setting forth the requirements (if any) not applicable to nationals of the country in which such insurer is constituted, incorporated or domiciled which are imposed by the laws or practice of that country upon Indian nationals as a condition of carrying on insurance business in that country;
- (f) a certified copy of the published prospectus, if any, and of the standard policy forms of the insurer and statements of the assured rates, advantages, terms and conditions to be offered in connection with insurance policies together with a certificate in connection with life insurance business by an actuary that such rates, advantages, terms and conditions are workable and sound:

Provided that in the case of marine accident and miscellaneous insurance business other than workmen's compensation and motor car insurance the above requirements regarding prospectus, forms and statements shall be complied with only in so far as the prospectus, forms and statements may be available; [*]

- [(g) the receipt showing payment of fee as may be determined by the regulations which shall not exceed fifty thousand rupees for each class of business as may be specified by regulations made by the Authority;
- (h) such other documents as may be specified by the regulations made

by the Authority.]

[(2-A) If, on receipt of an application for registration and after making such inquiry as he deems fit, the][Authority] [is satisfied that-

- (a) the financial condition and the general character of management of the applicant are sound;
- (b) the volume of business likely to be available to, and the capital structure and earning prospects of, the applicant will be adequate;
- (c) the interests of the general public will be served if the certificate of registration is granted to the applicant in respect of the class or classes of insurance business specified in the application; and
- (d) the applicant has complied with the provisions of sections 2-C, [5 and 31A] and has fulfilled all the requirements of this section applicable to him, the [Authority] may register the applicant as an insurer and grant him a certificate of registration.

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

[(2-B) Where the][Authority][refuses registration,][it][shall record the reasons for such decision and shall furnish a copy thereof to the applicant.

[(2C) Any person aggrieved by the decision of the Authority refusing registration may, within thirty days from the date on which a copy of the decision is received by him, appeal to the Securities Appellate Tribunal.]

[(3) In the case of any insurer having joint venture with a person having its principal place of business domiciled outside India or any insurer as defined in sub-clause (d) of clause (9) of section 2, the Authority may withhold registration already made if it is satisfied that in the country in which such person has been debarred by law or practice of that country to carry on insurance business.

(4) The Authority may suspend or cancel the registration of an insurer either wholly or in so far as it relates to a particular class of insurance business, as the case may be,-

- (a) if the insurer fails, at any time, to comply with the provisions of section 64VA as to the excess of the value of his assets over the amount of his liabilities, or
- (b) if the insurer is in liquidation or is adjudged as an insolvent, or
- (c) if the business or a class of the business of the insurer has been transferred to any person or has been transferred to or amalgamated with the business of any other insurer without the approval of the Authority, or

- (d) if the insurer makes default in complying with, or acts in contravention of, any requirement of this Act or of any rule or any regulation or order made or, any direction issued thereunder, or
- (e) if the Authority has reason to believe that any claim upon the insurer arising in India under any policy of insurance remains unpaid for three months after final judgement in regular court of law, or
- (f) if the insurer carries on any business other than insurance business or any prescribed business, or
- (g) if the insurer makes a default in complying with any direction issued or order made, as the case may be, by the Authority under the Insurance Regulatory and Development Authority Act, 1999, or
- (h) if the insurer makes a default in complying with, or acts in contravention of, any requirement of the Companies Act, 2013 or the General Insurance Business (Nationalisation) Act, 1972 or the Foreign Exchange Management Act, 1999 or the Prevention of Money Laundering Act, 2002, or
- (i) if the insurer fails to pay the annual fee required under section 3A, or
- (j) if the insurer is convicted for an offence under any law for the time being in force, or
- (k) if the insurer being a co-operative society set up under the relevant State laws or, as the case may be, the Multi-State Co-operative Societies Act, 2002, contravenes the provisions of law as may be applicable to the insurer.

(5) When the Authority suspends or cancels any registration under clause (a), clause (d), clause (e), clause (f), clause (g) or clause (i) of sub-section (4), it shall give notice in writing to the insurer of its decision, and the decision shall take effect on such date as it may specify in that behalf in the notice, such date not being less than one month not more than two months from the date of the receipt of the notice in the ordinary course of transmission.

(5A) When the Authority suspends or cancels any registration under clause (b), (c), (j) or (k) of sub-section (4), the suspension or cancellation, as the case may be, shall take effect on the date on which notice of the order of suspension or cancellation is served on the insurer.]

(5-B) When a registration is cancelled the insurer shall not, after the cancellation has taken effect, enter into any new contracts of insurance, but all rights and liabilities in respect of contracts of insurance entered into by him before such cancellation takes effect shall, subject to the provisions of sub-section (5-D), continue as if the cancellation had not taken place.]

[(5C) Where a registration is suspended or cancelled under clause (a), clause (d), clause (e), clause (f), clause (g) or clause (i) of sub-section (4),

the Authority may at its discretion revive the registration, if the insurer within six months from the date on which the suspension or cancellation took effect complies with the provisions of section 64VA as to the excess of the value of his assets over the amount of his liabilities or has had an application under subsection (4) of section 3A accepted, or satisfies the Authority that no claim upon him such as is referred to in clause (e) of subsection (4) remains unpaid or that he has complied with any requirement of this Act or the Insurance Regulatory and Development Authority Act, 1999, or of any rule or any regulation, or any order made thereunder or any direction issued under those Acts, or that he has ceased to carry on any business other than insurance business or any prescribed business, as the case may be, and complies with any directions which may be given to him by the Authority.]

(5-D) Where [the registration of an insurance company is cancelled under sub-section (4), the] [Authority] [may,] after the expiry of six months from the date on which the cancellation took effect, apply to the Court for an order to wind up the insurance company, or to wind up the affairs of the company in respect of a class of insurance business, unless the registration of the insurance company has been revived under sub-section (5-C) or an application for winding up the company has been already presented to the Court. The Court may proceed as if an application under this sub-section were an application under sub-section (2) of section 53, or sub-section (1) of section 58, as the case may be.

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

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

[* * * *]

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

[3A. Payment of annual fee by insurer. - (1) An insurer who has been granted a certificate of registration under section 3 shall pay such annual fee to the Authority in such manner as may be specified by the regulations.

(2) Any failure to deposit the annual fee shall render the certificate of registration liable to be cancelled.]

[3B. Certification of soundness of terms of life insurance business. -

If, when considering an application for registration under section 3 or at any other time, it appears to the] [Authority] [that the assured rates, advantages, terms and conditions offered or to be offered in connection with life insurance business are in any respect not workable or sound,] [it] [may require that a statement thereof shall be submitted to an actuary appointed

by the insurer for the purpose and approved by the][Authority][, and may by order in writing further require the insurer to make within such time as may be specified in the order such modifications in the said rates, advantages, terms or conditions, as the case may be, as the said actuary may report to be necessary to enable him to certify that the said rates, advantages, terms and conditions are workable and sound.]

[4. Minimum limits for annuities and other benefits secured by policies of life insurance. - The insurer shall pay or undertake to pay on any policy of life insurance or a group policy issued, a minimum annuity and other benefits as may be determined by regulations excluding any profit or bonus provided that this shall not prevent an insurer from converting any policy into a paid-up policy of any value or payment of surrender value of any amount.]

5. Restriction on name of insurer. - (1) An insurer shall not be registered by a name identical with that by which an insurer in existence is already registered, or so nearly resembling that name as to be calculated to deceive except when the insurer in existence is in the course of being dissolved and signifies his consent to the [Authority].

(2) If an insurer, through inadvertence or otherwise, is without such consent as aforesaid registered by a name identical with that by which an insurer already in existence whether previously registered or not is carrying on business or so nearly resembling it as to be calculated to deceive, the first-mentioned insurer shall, if called upon to do so by the [Authority] on the application of the second-mentioned insurer, change his name within a time to be fixed by the [Authority]:

[* * *]

[6. Requirement as to capital. - (1) No insurer not being an insurer as defined in sub-clause (d) of clause (9) of section 2, carrying on the business of life insurance, general insurance, health insurance or re-insurance in India or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall be registered unless he has,-

- (i) a paid-up equity capital of rupees one hundred crore, in case of a person carrying on the business of life insurance or general insurance; or
- (ii) a paid-up equity capital of rupees one hundred crore, in case of a person carrying on exclusively the business of health insurance; or
- (iii) a paid-up equity capital of rupees two hundred crore, in case of a person carrying on exclusively the business as a re-insurer:

Provided that the insurer, may enhance the paid-up equity capital, as provided in this section in accordance with the provisions of the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 and the rules, regulations or directions issued thereunder or any other law for the time being in force:

Provided further that in determining the paid-up equity capital, any preliminary expenses incurred in the formation and registration of any insurer as may be specified by the regulations made under this Act, shall be excluded.

(2) No insurer, as defined in sub-clause (d) of clause (9) of section 2, shall be registered unless he has net owned funds of not less than rupees five thousand crore.]

[6A. Requirements as to capital structure and voting rights and maintenance of registers of beneficial owners of shares.] - [(1) No public company limited by shares having its registered office in India, shall carry on life insurance business or general insurance business or health insurance business or re-insurance business, unless it satisfies the following conditions, namely:-

- (i) that the capital of the company shall consist of equity shares each having a single face value and such other form of capital, as may be specified by the regulations;
- (ii) that the voting rights of shareholders are restricted to equity shares;
- (iii) that, except during any period not exceeding one year allowed by the company for payment of calls on shares, the paid-up amount is the same for all shares, whether existing or new:

Provided that the conditions specified in this sub-section shall not apply to a public company which has, before the commencement of the Insurance (Amendment) Act, 1950, issued any shares other than ordinary shares each of which has a single face value or any shares, the paid-up amount whereof is not the same for all of them for a period of three years from such commencement.]

(2) Notwithstanding anything to the contrary contained in any law for the time being in force or in the memorandum or articles of association but subject to the other provisions contained in this section the voting right of every shareholder of any public company as aforesaid shall in all cases be strictly proportionate to the paid-up amount of the [equity] shares held by him.

[* * *]

[(4) A public company as aforesaid which carries on life insurance business, general and health insurance business and re-insurance business-

- (a) shall, in addition to the register of members maintained under the Companies Act, 2013, maintain a register of shares in which the name, occupation and address of the beneficial owner of each share shall be entered including any change of beneficial owner declared to it within fourteen days from the receipt of such declaration;
- (b) shall not register any transfer of its shares-

- (i) unless, in addition to compliance being made with the provisions of section 56 of the Companies Act, 2013, the transferee furnishes a declaration in the prescribed form as to whether he proposes to hold the shares for his own benefit or as a nominee, whether jointly or severally, on behalf of others and in the latter case giving the name, occupation and address of the beneficial owner or owners, and the extent of the beneficial interest of each;
- (ii) where, after the transfer, the total paid-up holding of the transferee in the shares of the company is likely to exceed five per cent. of its paid-up capital unless the previous approval of the Authority has been obtained to the transfer;
- (iii) where, the nominal value of the shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally exceeds one per cent. of the paid-up equity capital of the insurer, unless the previous approval of the Authority has been obtained for the transfer.

Explanation. - For the purposes of this sub-clause, the expressions "group" and "same management" shall have the meanings respectively assigned to them in the Competition Act, 2002.]

(5) Every person who has any interest in any share of a company referred to in sub-section (4) which stands in the name of another person in the register of members of the company, shall, within thirty days from the commencement of the Insurance (Amendment) Act, 1950, or from the date on which he acquires such interest, whichever is later, make a declaration in the prescribed form (which shall be countersigned by the person in whose name the share is registered) to the company declaring his interest in such share, and notwithstanding anything contained in any other law or in any contract to the contrary, a person who fails to make a declaration as aforesaid in respect of any share shall be deemed to have no right or title whatsoever in that share:

Provided that nothing in this sub-section shall affect the right of a person who has an interest in any such share to establish in a Court his right thereto, if the person, in whose name the share is registered, refuses to countersign the declaration as required by this sub-section:

Provided further that where any share, belonging to an individual who has made any such declaration as is referred to in this sub-section, is held by a company in its name in pursuance of any trust or for the purpose of safe custody or collection or realisation of dividend, such individual shall, notwithstanding anything contained in [the Companies Act, 2013 (18 of 2013)], or in the memorandum or articles of association of the company which has issued the share, be deemed to be the holder of the said share for

the purpose of exercising any voting rights under this section to the exclusion of any other person.

[* * *]

[(11) The provisions of this section, [* * *], shall, on and from the commencement of the Insurance (Amendment) Act, 1968, also apply to insurers carrying on general insurance business subject to the following modifications, namely:-

- (i) that references in sub-sections (1), (3), (5) and (6) to the Insurance (Amendment) Act, 1950, shall be construed as references to the Insurance (Amendment) Act, 1968; [* * *]

[* * *]

[Explanation] .-For the purpose of this section, the holding of a person in the shares of a company shall be deemed to include-

(i) the total paid-up holding in such shares held by such person in the name of others; and

(ii) if any shares of the company are held-

- (a) by a public limited company, of which such person is a member holding more than ten per cent. of the paid-up capital, or
- (b) by a private limited company, of which such person is a member, or
- (c) by a company, of which such person is a managing director, manager, [* * *] or in which he has a controlling interest, or
- (d) by a firm in which such person is a partner, or
- (e) by such person jointly with others, such part of the total paid-up holding of the company or firm or of the total joint holding in those shares, as is proportionate to the contribution made by such person to the paid-up capital of the company, the paid-up capital of the firm or the joint holding, as the case may be.]

[* * *]

6AA.[* * *]

[6-B. Provision for securing compliance with requirements relating to capital structure. - (1) For the purpose of enabling any public company carrying on [life or general or health insurance or re-insurance business] to bring its capital structure into conformity with the requirements of section 6-A, an officer appointed in this behalf by the [Authority] may, notwithstanding anything contained in the] [the Companies Act, 2013 (18 of 2013)],-

- [(a) examine any scheme proposed for the purpose aforesaid by the directors of the company:

Provided that-

- (i) the scheme has been placed before a meeting of the shareholders for their opinion and has been forwarded to the officer together with the opinion of the shareholders thereon, and
 - (ii) the scheme does not involve any diminution of the liability of the shareholders in respect of unpaid-up share capital;
- (b) invite objections and suggestions in respect of the scheme so proposed; and
- (c) after considering such objections and suggestions to the scheme so proposed, sanction it with such modifications as he may consider necessary or desirable.

(2) Any shareholder or other person aggrieved by the decision of the officer sanctioning a scheme under sub-section (1) may, within ninety days of the date of the order sanctioning the scheme, prefer an appeal to the [the Securities Appellate Tribunal] within whose jurisdiction the registered office of the insurer is situate for the purpose of modifying or correcting any such scheme for the purpose specified in sub-section (1).

(3) The decision of the [the Securities Appellate Tribunal] where an appeal has been preferred to it under sub-section (2), or of the officer aforesaid where no such appeal has been preferred, shall be final and binding on all the shareholders and other persons concerned.]

[* * *]

6C, 7, 8 & 9. [* * *]

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[6-C. Conversion of company limited by shares into company limited by guarantee.

- (1) Where a public company limited by shares carrying on insurance business has passed a special resolution for converting itself into a public company limited by guarantee, it may apply to the Central Government with a scheme for putting the special resolution into effect, including any provision for the alteration of the memorandum or articles of association in so far as it may be necessary for this purpose.

(2) If the Central Government, after giving such notice to any person concerned as it thinks fit, is satisfied-

- (a) that the scheme makes suitable provision with respect to the repayment, conversion or liquidation of the paid-up capital of the company,
- (b) that the consent of the creditors to the conversion of the company limited by shares into a company limited by guarantee has been obtained, or that suitable provisions have been made for discharging, determining or securing the debts or claims of such creditors, and
- (c) that the scheme is otherwise reasonable, it may sanction the scheme and thereupon the scheme shall become binding on the

company and on all the persons concerned.

(3) Against the decision of the Central Government sanctioning a scheme under sub-section (2), any person aggrieved thereby may, within ninety days of the date of the order sanctioning the scheme, prefer an appeal to the High Court within whose jurisdiction the registered office of the insurer is situate.

(4) The decision of the High Court where an appeal has been preferred to it under sub-section (3) or of the Central Government where no such appeal has been preferred, shall be final and binding on all the persons concerned.

(5) Where a scheme has been sanctioned under this section, the company shall file with the Registrar of Companies a certified copy of the scheme as sanctioned, and thereupon the provisions of the [the Companies Act, 2013 (18 of 2013)][, relating to companies limited by guarantee shall become applicable to the company.]

7. Deposits. - (1) Every insurer [* * *] shall, in respect of the insurance business carried on by him in [India], deposit and keep deposited with the Reserve Bank of India in one of the offices in India of the Bank for and on behalf of the Central Government [the amount hereafter specified, either in cash or in approved securities estimated at the market value of the securities on the day of deposit, or partly in cash and partly in approved securities so estimated],-

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

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

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

[* * *]

[Provided that, where the business done or to be done is marine insurance only and relates exclusively to country craft or its cargo or both, the amount to be deposited under this sub-section shall be][one hundred thousand rupees][only:]

[Provided further that in respect of an insurer not having a share capital and carrying on only such insurance business as in the opinion of the Central Government is not carried on ordinarily by insurers under separate policies, the Central Government may, by notification in the

Official Gazette, order that the provisions of this sub-section shall apply to such insurer with the modification that instead of the sum of rupees twenty lakhs or rupees ten lakhs, as the case may be, the deposit to be made by such insurer shall be such amount, being not less than one hundred and fifty thousand rupees, as may be specified in the said order.]

[* * *]

(2) Where the insurer is an insurer specified in sub-clause (c) of clause (9) of section 2, he shall be deemed to have complied with the provisions of this section as to deposits, if in respect of [* * *] insurance business [carried on] by him in [India] under a standing contract of the nature referred to in sub-clause (c) of clause (9) of section 2 a deposit of an amount one-and-a-half times that specified in sub-section (1) [* * *] has been made in the Reserve Bank of India in one of the offices in India of the Bank for and on behalf of the Central Government in cash or approved securities estimated at the market value of the securities on the day of deposit by or on behalf of the underwriters who are members of the Society of Lloyd's with whom he has his standing contract.

[(3) Where the deposit is to be made by an insurer not carrying on insurance business in India immediately before the commencement of the Insurance (Amendment) Act, 1968, a deposit of rupees ten lakhs shall be made before the application for registration is made, *and the provisions of clause (ii) of*][sub-section (1-A)]*shall apply to such insurer after his registration as they apply to an insurer specified in clause (a) of*][sub-section (1-A)].

[(4) An insurer shall not be registered for any class of insurance business in addition to the class or classes for which he is already registered until the full deposit required under sub-section (1) has been made.

(5) Where an insurer who intends to become a member of a group, does not carry on all the classes of insurance business carried on by the other insurers in such group, or, where out of the several insurers who desire to form themselves into a group, any insurer does not carry on all the classes of insurance business carried on by the other insurers who desire to form themselves into the group, such insurer may be registered for that class or those classes of insurance business which is or are carried on by the other insurers of the group or the proposed group, as the case may be, and where any application for registration is made by any such insurer, the] [Authority][may, notwithstanding anything contained in sub-section (2-A) of section 3 or sub-section (4), register such insurer for one or more additional classes of insurance, if the following conditions are fulfilled, namely:-

(a) the] [Authority][is satisfied that registration for the proposed one or more additional classes of insurance business would qualify the

insurer to become a member of a group;

(b) agreements have been executed by all the insurers in the group or proposed group, as the case may be, and such agreements, *in the opinion of the] [Authority][, satisfy the requirements of the Explanation to sub-section (1-B); and*

(c) the insurer has, after the commencement of the Insurance (Amendment) Act, 1968, made deposit of a sum not less than the total of all the instalments of deposit which he would have been required to make after such commencement till the date of his becoming a member of the group, had he been a member of the group from such commencement.

(6) The] [Authority][shall cancel the registration made in pursuance of the provisions of sub-section (5), if the insurer referred to therein fails to become, within a period of three months from the date of such registration, a member of the group or proposed group, as the case may be, and, where such registration has been cancelled, the provisions of this Act shall apply to the insurer as if he had not been registered for the class or classes of insurance business in relation to which his registration has been cancelled.]

(7) Securities already deposited with the Controller of Currency in compliance with the Indian Life Assurance Companies Act, 1912, shall be transferred by him to the Reserve Bank of India and shall, to the extent of their market value [as at the date of the commencement of this Act], be deemed to be deposited under this Act, [as the instalment or as part of the instalment to be made under the foregoing provisions of this section before the application for registration is made whether any such application is or is not in fact made].

(8) A deposit made in cash shall be held by the Reserve Bank of India to the credit of the insurer and shall [except to the extent, if any, to which the cash has been invested in securities under sub-section (9-A)], be returnable to the insurer in cash in any case in which under the provisions of this Act a deposit is to be returned; and any interest accruing due and collected on securities deposited under sub-section (1) or sub-section (2) shall be paid to the insurer, subject only to deduction of the normal commission chargeable for the realization of interest.

[(9) The insurer may at any time replace any securities deposited by him under this section with the Reserve Bank of India either by cash or by other approved securities or partly by cash and partly by other approved securities, provided that such cash, or the value of such other approved securities estimated at the market rates prevailing at the time of replacement, or such cash together with such value, as the case may be, is not less than the value of the securities replaced estimated at the market rates prevailing when they were deposited.

(9-A) The Reserve Bank of India shall, if so requested by the insurer,-

- (a) sell any securities deposited by him with the Bank under this section and hold the cash realised by such sale as deposit, or
- (b) invest in approved securities specified by the insurer the whole or any part of a deposit held by it in cash or the whole or any part of cash received by it on the sale of or on the maturing of securities deposited by the insurer, and hold the securities in which investment is so made as deposit,]

[and may charge the normal commission on such sale or on such investment].

[(9-B) Where sub-section (9-A) applies,-

- (a) if the cash realised by the sale of or on the maturing of the securities (excluding in the former case the interest accrued) falls short of the market value of the securities at the date on which they were deposited with the Bank, the insurer shall make good the deficiency by a further deposit either in cash or in approved securities estimated at the market value of the securities on the day on which they are deposited, or partly in cash and partly in approved securities so estimated, within a period of two months from the date on which the securities matured or were sold or where the securities matured or were sold before the 21st day of March, 1940, within a period of four months from the commencement of the Insurance (Amendment) Act, 1940; and unless he does so the insurer shall be deemed to have failed to comply with the requirements of this section as to the deposits; and
- (b) if the cash realised by the sale of or on the maturing of the securities (excluding in the former case the interest accrued) exceeds the market value of the securities at the date on which they were deposited with the Bank, the Central Government may, if satisfied that the full amount required to be deposited under sub-section (1) is in deposit, direct the Reserve Bank of return the excess.]

(10) If any part of a deposit made under this section is used in the discharge of any liability of the insurer, the insurer shall deposit such additional sum in cash or approved securities [estimated at the market value of the securities on the day of deposit, or partly in cash and partly in such securities,] as will make up the amount so used. The insurer shall be deemed to have failed to comply with the requirements of sub-section (1), unless the deficiency is supplied within a period of two months from the date when the deposit or any part thereof is so used for discharge of liabilities.

8. Reservation of deposits. - (1) Any deposit made under section 7 [or section 98] shall be deemed to be part of the assets of the insurer but

shall not be susceptible of any assignment or charge; nor shall it be available for the discharge of any liability of the insurer other than liabilities arising out of policies of insurance issued by the insurer so long as any such liabilities remain undischarged; nor shall it be liable to attachment in execution of any decree except a decree obtained by a policy-holder of the insurer in respect of a debt due upon a policy which debt the policy-holder has failed to realise in any other way.

(2) Where a deposit is made in respect of life insurance business the deposit made in respect thereof shall not be available for the discharge of any liability of the insurer other than liabilities arising out of policies of life insurance issued by the insurer.

[9. Refund of deposit. - Where an insurer has ceased to carry on in India all classes of insurance business, and his liabilities in India in respect of all classes of insurance business have been satisfied or are otherwise provided for, the Court may, on the application of the insurer, order the return to the insurer of the deposit made by him under this Act.]

10. Separation of accounts and funds. - (1) Where the insurer carries on business of more than one of the [following classes, namely, life insurance, fire insurance, marine insurance or miscellaneous insurance], he shall keep a separate account of all receipts and payments in respect of each such class of insurance business [and where the insurer carries on business of][miscellaneous insurance], whether alone or in conjunction with business of another class, he shall, unless the [Authority] waives this requirement in writing, keep a separate account of all receipts and payments in respect of [each of such sub-classes of miscellaneous insurance business] as may be [specified by the regulations]:

Provided that no sub-class of [miscellaneous insurance business] shall be prescribed under this sub-section if the insurance business comprised in the sub-class consists of insurance contracts which are terminable by the insurer at intervals not exceeding twelve months and under which, if a claim arises, the insurer's liability to pay benefit ceases within one year of the date on which the claim arose.

(2) Where the insurer carries on the business of life insurance [all receipts due in respect of such business,] shall be carried to and shall form a separate fund to be called the life insurance fund [the assets of which shall, [* * *], be kept distinct and separate from all other assets of the insurer] and the deposit made by the insurer in respect of life insurance business shall be deemed to be [part of the assets of such fund;][and every insurer shall, within the time limited in sub-section (1) of section 15 in regard to the furnishing of the statements and accounts referred to in section 11, furnish to the][Authority][a statement showing in detail such assets as at the close of every calendar year duly certified by an auditor or by a person qualified to audit [* * *]:

Provided that such statement shall, in the case of an insurer to whom section 11 applies, be set out as a part of the balance-sheet mentioned in clause (a) of sub-section (1) of that section:

Provided further that an insurer may show in such statement all the assets held in his life department, but at the same time showing any deductions on account of general reserves and other liabilities of that department:

Provided also that the] [Authority] [may call for a statement similarly certified of such assets as at any other date specified by him to be furnished within a period of three months from the date with reference to which the statement is called for.]

[(2-A) No insurer carrying on life insurance business shall be entitled to be registered for any class of insurance business in addition to the class or classes for which he has been already registered unless the] [Authority] [is satisfied that the assets of the life insurance fund of the insurer are adequate to meet all his liabilities on policies of life insurance maturing for payment.]

[(2AA) Where the insurer carries on the business of insurance, all receipts due in respect of each sub-class of such insurance business shall be carried to and shall form a separate fund, the assets of which shall be kept separate and distinct from other assets of the insurer and every insurer shall submit to the Authority the necessary details of such funds as may be required by the Authority from time to time and such funds shall not be applied directly or indirectly, save as expressly permitted under this Act or regulations made thereunder.]

(3) The life insurance fund shall be as absolutely the security of the life policy-holders as though it belonged to an insurer carrying on no other business than life insurance business and shall not be liable for any contracts of the insurer for which it would not have been liable had the business of the insurer been only that of life insurance and shall not be applied directly or indirectly [* * *] for any purposes [other than those of the life insurance business of the insurer].

[11. Accounts and balance sheet. - (1) Every insurer, on or after the date of the commencement of the Insurance Laws (Amendment) Act, 2015, in respect of insurance business transacted by him and in respect of his shareholders' funds, shall, at the expiration of each financial year, prepare with reference to that year, balance sheet, a profit and loss account, a separate account of receipts and payments, a revenue account in accordance with the regulations as may be specified.

(2) Every insurer shall keep separate accounts relating to funds of shareholders and policyholders.

(3) Unless the insurer is a company as defined in clause (20) of section 2 of the Companies Act, 2013, the accounts and statements referred to in sub-section (1) shall be signed by the insurer, or in the case of a company by the chairman, if any, and two directors and the principal officer of the company,

or in case of an insurance cooperative society by the person in charge of the society and shall be accompanied by a statement containing the names, descriptions and occupations of, and the directorships held by, the persons in charge of the management of the business during the period to which such accounts and statements refer and by a report on the affairs of the business during that period.]

[12. Audit. - The balance sheet, profit and loss account, revenue account and profit and loss appropriation account of every insurer, in respect of all insurance business transacted by him, shall, unless they are subject to audit under the Companies Act, 2013, be audited annually by an auditor, and the auditor shall in the audit of all such accounts have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by section 147 of the Companies Act, 2013.]

13. Actuarial report and abstract. - [(1) Every insurer carrying on life insurance business shall, once at least every year cause an investigation to be made by an actuary into the financial condition of the life insurance business carried on by him, including a valuation of his liabilities in respect thereto and shall cause an abstract of the report of such actuary to be made in accordance with the regulations:

Provided that the Authority may, having regard to the circumstances of any particular insurer, allow him to have the investigation made as at a date not later than two years from the date as at which the previous investigation was made:

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

(2) The provisions of sub-section (1) regarding the making of an abstract shall apply whenever at any other time an investigation into the financial condition of the insurer is made with a view to the distribution of profits or an investigation is made of which the results are made public.

(3) There shall be appended to every such abstract as is referred to in sub-section (1) or sub-section (2) a certificate signed by the principal officer of the insurer that full and accurate particulars of every policy under which there is a liability either actual or contingent have been furnished to the actuary for the purpose of the investigation.

[(4) There shall be appended to every such abstract a statement prepared in such form and in such manner as may be specified by the regulations:

Provided that, if the investigation referred to in sub-sections (1) and (2) is made annually by any insurer, the statement need not be appended every year but shall be appended at least once in every three years.]

(5) Where an investigation into the financial condition of an insurer is made as at a date other than the expiration of the year of account, the accounts

for the period since the expiration of the last year of account and the balance-sheet as at the date at which the investigation is made shall be prepared and audited in the manner provided by this Act.

[(6) The provisions of this section relating to the life insurance business shall apply also to any such sub-class of insurance business included in the class "Miscellaneous Insurance" and the Authority may authorise such modifications and variations of regulations as may be necessary to facilitate their application to any such sub-class of insurance business:

Provided that, if the Authority is satisfied that the number and amount of the transactions carried out by an insurer in any such sub-class of insurance business is so small as to render periodic investigation and valuation unnecessary, it may exempt that insurer from the operation of this subsection in respect of that sub-class of insurance business.]

[14. Record of policies and claims. - (1) Every insurer, in respect of all business transacted by him, shall maintain-

- (a) a record of policies, in which shall be entered, in respect of every policy issued by the insurer, the name and address of the policyholder, the date when the policy was effected and a record of any transfer, assignment or nomination of which the insurer has notice;
- (b) a record of claims, every claim made together with the date of the claim, the name and address of the claimant and the date on which the claim was discharged, or, in the case of a claim which is rejected, the date of rejection and the grounds thereof; and
- (c) a record of policies and claims in accordance with clauses (a) and (b) may be maintained in any such form, including electronic mode, as may be specified by the regulations made under this Act.

(2) Every insurer shall, in respect of all business transacted by him, endeavour to issue policies above a specified threshold in terms of sum assured and premium in electronic form, in the manner and form to be specified by the regulations made under this Act.]

[15. Submission of returns. - (1) The audited accounts and statements referred to in section 11 or subsection (5) of section 13 and the abstract and statement referred to in section 13 shall be printed, and four copies thereof shall be furnished as returns to the Authority within six months from the end of the period to which they refer.

(2) Of the four copies so furnished, one shall be signed in the case of a company by the chairman and two directors and by the principal officer of the company and, if the company has a managing director by that managing director and one shall be signed by the auditor who made the audit or the actuary who made the valuation, as the case may be.]

16.[* * *]

17.[* * *]

17A.[* * *]

18. Furnishing reports. - Every insurer shall furnish to the [Authority] a certified copy of every report on the affairs of the concern which is submitted to the members or policy-holders of the insurer immediately after its submission to the members or policy-holders, as the case may be.

19. Abstract of proceedings of general meetings. - Every insurer, being a company or body incorporated under any law for the time being in force in [India], shall furnish to the [Authority] [a certified copy of the minutes of the proceedings of every general meeting, as entered in the Minutes Book of the insurer] within thirty days from the holding of the meeting to which it relates.

20. Custody and inspection of documents and supply of copies. - [(1) Every return furnished to the Authority or certified copy thereof shall be kept by the Authority and shall be open to inspection; and any person may procure a copy of any such return, or of any part thereof, on payment of such fee as may be specified by the regulations.]

(2) A printed or certified copy of the accounts, statements and abstract furnished in accordance with the provisions of section 15 [* * *] shall, on the application of any shareholder or policy-holder made at any time within two years from the date on which the document was so furnished, be supplied to him by the insurer within fourteen days when the insurer is constituted, incorporated or domiciled in [India] and in any other case within one month of such application.

(3) A copy of the memorandum and articles of association of the insurer, if a company, shall, on the application of any policy-holder, be supplied to him by the insurer on payment of [such fee as may be specified by the regulations].

21. Powers of [Authority] regarding returns. - (1) If it appears to the [Authority] that any return furnished to [it] under the provisions of this Act is inaccurate or defective in any respect, [it] may-

- (a) require from the insurer such further information, certified if he so directs by an auditor or actuary, as he may consider necessary to correct or supplement such return;
- (b) call upon the insurer to submit for [its] examination at the principal place of business of the insurer in [India] any book of account, register or other document or to supply any statement which [it] may specify in a notice served on the insurer for the purpose;
- (c) examine any officer of the insurer on oath in relation to the return;
- (d) decline to accept any such return unless the inaccuracy has been corrected or the deficiency has been supplied before the expiry of one month from the date on which the requisition asking for correction of the inaccuracy or supply of the deficiency was delivered to the

insurer [or of such further time as the][Authority][may specify in the requisition] and if [it] declines to accept any such return, the insurer shall be deemed to have failed to comply with the provisions of section 15 [* * *] [or section 28] [or section 28-A][or section 28-B or section 64-V] relating to the furnishing of returns.

[(2) The Securities Appellate Tribunal may, on the application of an insurer and after hearing the Authority, cancel any order made by the Authority under clause (d) of sub-section (1) or may direct the acceptance of such a return which the Authority has declined to accept, if the insurer satisfies the Tribunal that the action of the Authority was in the circumstances unreasonable:

Provided that no application under this sub-section shall be entertained unless it is made before the expiration of four months from the date when the Authority made the order or declined to accept the return.]

22. Powers of [Authority] to order revaluation. - [(1) If it appears to the [Authority] that an investigation or valuation to which section 13 refers [* * *] does not properly indicate the condition of the affairs of the insurer by reason of the faulty basis adopted in the valuation, it may, after giving notice to the insurer and giving him an opportunity to be heard, cause an investigation and valuation [as at such date as the][Authority][may specify] to be made at the expense of the insurer by an actuary appointed by the insurer for this purpose and approved by the [Authority][and the insurer shall place at the disposal of the actuary so appointed and approved all the material required by the actuary for the purposes of the investigation and valuation within such period, not being less than three months, as the][Authority][may specify.]

[(2) The provisions of sub-sections (1) and (4) of section 13, and of sub-sections (1) and (2) of section 15 [* * *], shall apply in relation to an investigation and valuation under this section:

Provided that the abstract and statement prepared as the result of such investigation and valuation shall be furnished by such date as the] [Authority][may specify.]

23. Evidence of documents. - (1) Every return furnished to the [Authority] which has been certified by the [Authority] to be a return so furnished, shall be deemed to be a return so furnished.

(2) Every document, purporting to be certified by the [Authority] to be a copy of a return so furnished, shall be deemed to be a copy of that return and shall be received in evidence as if it were the original return, unless some variation between it and the original return is proved.

24. Summary of returns to be published. - [*Repealed by the Insurance (Amendment) Act , 1941 (13 of 1941), section 16 (w.e.f.8-4-1941).*]

25. Returns to be published in statutory forms. - No insurer shall publish in [India] any return in a form other than that in which it has been furnished to the [Authority] :

Provided that nothing contained in this section shall prevent an insurer from publishing a true and accurate abstract from such returns for the purposes of publicity.

26. Alterations in the particulars furnished with application for registration to be reported. - Whenever any alteration occurs or is made which affects any of the matters which are required under the provisions of sub-section (2) of section 3 to accompany an application by an insurer for registration, the insurer shall forthwith furnish to the [Authority] full particulars of such alteration. [All such particulars shall be authenticated in the manner required by that sub-section for the authentication of the matters therein referred to, and, where the alteration affects the assured rates, advantages, terms and conditions offered in connection with life insurance policies, the actuarial certificate referred to in clause (f) of the said sub-section shall accompany the particulars of the alteration.]

Investment, loans and management

[27. Investment of assets. - (1) Every insurer shall invest and at all times keep invested assets equivalent to not less than the sum of-

- (a) the amount of his liabilities to holders of life insurance policies in India on account of matured claims, and
- (b) the amount required to meet the liability on policies of life insurance maturing for payment in India,

less-

- (i) the amount of premiums which have fallen due to the insurer on such policies but have not been paid and the days of grace for payment of which have not expired, and
- (ii) any amount due to the insurer for loans granted on and within the surrender values of policies of life insurance maturing for payment in India issued by him or by an insurer whose business he has acquired and in respect of which he has assumed liability in the following manner, namely:-

- (a) twenty-five per cent. of the said sum in Government securities, a further sum equal to not less than twenty-five per cent. of the said sum in Government securities or other approved securities; and

- (b) the balance in any of the approved investments,

as may be specified by the regulations subject to the limitations, conditions and restrictions specified therein.

(2) In the case of an insurer carrying on general insurance business, twenty per cent. of the assets in Government Securities, a further sum equal to not less than ten per cent. of the assets in Government Securities or other approved securities and the balance in any other investment in accordance with the regulations of the Authority and subject to such limitations, conditions and restrictions as may be specified by the Authority in this regard.

Explanation. - In this section, the term "assets" means all the assets of insurer at their carrying value but does not include any assets specifically held against any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion thereof, as the case may be, is regulated by the law of any country outside India or miscellaneous expenditure or in respect of which the Authority is satisfied that it would not be in the interest of the insurer to apply the provisions of this section.

(3) For the purposes of sub-sections (1) and (2), any specified assets shall, subject to such conditions, if any, as may be specified, be deemed to be assets invested or kept invested in approved investments specified by regulations.

(4) In computing the assets referred to in sub-sections (1) and (2), any investment made with reference to any currency other than the Indian rupee which is in excess of the amount required to meet the liabilities of the insurers in India with reference to that currency, to the extent of such excess, shall not be taken into account:

Provided that nothing contained in this sub-section shall affect the operation of sub-section (2):

Provided further that the Authority may, either generally or in any particular case, direct that any investment shall, subject to such conditions as may be imposed, be taken into account, in such manner as may be specified in computing the assets referred to in sub-sections (1) and (2) and where any direction has been issued under this proviso, copies thereof shall be laid before each house of Parliament as soon as may be after it is issued.

(5) Where an insurer has accepted re-insurance in respect of any policies of life insurance issued by another insurer and maturing for payment in India or has ceded re-insurance to another insurer in respect of any such policies issued by himself, the sum referred to in sub-section (1) shall be increased by the amount of the liability involved in such acceptance and decreased by the amount of the liability involved in such cession.

(6) The Government securities and other approved securities in which assets are under sub-section (1) or sub-section (2) to be invested and kept invested shall be held by the insurer free of any encumbrance, charge, hypothecation or lien.

(7) The assets required by this section to be held invested by an insurer incorporated or domiciled outside India shall, except to the extent of any part thereof which consists of foreign assets held outside India, be held in

India and all such assets shall be held in trust for the discharge of the liabilities of the nature referred to in subsection (1) and shall be vested in trustees resident in India and approved by the Authority, and the instrument of trust under this sub-section shall be executed by the insurer with the approval of the Authority and shall define the manner in which alone the subject-matter of the trust shall be dealt with.

Explanation. - This sub-section shall apply to an insurer incorporated in India whose share capital to the extent of one-third is owned by, or the members of whose governing body to the extent of one-third consists of members domiciled elsewhere than in India.

27A. Further provisions regarding investments. - (1) No insurer carrying on life insurance business shall invest or keep invested any part of his controlled fund and no insurer carrying on general business shall invest or keep invested any part of his assets otherwise than in any of the approved investments as may be specified by the regulations subject to such limitations, conditions and restrictions therein.

(2) Notwithstanding anything contained in sub-section (1) or sub-section (2) of section 27, an insurer may, subject to the provisions contained in the next succeeding sub-sections, invest or keep invested any part of his controlled fund or assets otherwise than in an approved investment, if-

- (i) after such investment, the total amounts of all such investments of the insurer do not exceed fifteen per cent. of the sum referred to in sub-section (1) of section 27 or fifteen per cent. of the assets referred to in sub-section (2) as the case may be;
- (ii) the investment is made, or, in the case of any investment already made, the continuance of such investment is with the consent of all the directors present at a meeting and eligible to vote, special notice of which has been given to all the directors then in India, and all such investments, including investments in which any director is interested, are reported without delay to the Authority with full details of the investments and the extent of the director's interest in any such investment.

(3) An insurer shall not out of his controlled fund or assets as referred to in section 27,-

- (a) invest in the shares of any one banking company; or
- (b) invest in the shares or debentures of any one company,

more than the percentage specified by the regulations.

(4) An insurer shall not out of his controlled fund or assets as referred to in sub-section (2) of section 27 invest or keep invested in the shares or debentures of any private limited company.

(5) All assets forming the controlled fund or assets as referred to in sub-section (2) of section 27, not being Government securities or other approved

securities in which assets are to be invested or held invested in accordance with this section, shall (except for a part thereof not exceeding one-tenth of the controlled fund or assets as referred to in sub-section (2) thereof in value which may, subject to such conditions and restrictions as may be prescribed, be offered as security for any loan taken for purposes of any investment), be held free of any encumbrance, charge, hypothecation or lien.

(6) If at any time the Authority considers any one or more of the investments of an insurer to be unsuitable or undesirable, the Authority may, after giving the insurer an opportunity of being heard, direct him to realise the investment or investments, and the insurer shall comply with the direction within such time as may be specified in this behalf by the Authority.

(7) Nothing contained in this section shall be deemed to affect in any way the manner in which any moneys relating to the provident fund of any employee or to any security taken from any employee or other moneys of a like nature are required to be held by or under any Central Act, or Act of a State legislature.

Explanation. - In this section "controlled fund" means-

(a) in the case of any insurer carrying on life insurance business-

- (i) all his funds, if he carries on no other class of insurance business;
- (ii) all the funds in India appertaining to his life insurance business if he carries on some other class of insurance business also.

Explanation. - For the purposes of sub-clauses (i) and (ii), the fund does not include any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion, as the case may be, is regulated by the law in force of any country outside India or it would not be in the interest of the insurer to apply the provisions of this section;

(b) in the case of any other insurer carrying on life insurance business-

- (i) all his funds in India, if he carries on no other class of insurance business;
- (ii) all the funds in India appertaining to his life insurance business if he carries on some other class of insurance business also; but does not include any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion thereof, as the case may be, is regulated by the law of any country outside India or in respect of which the Authority is satisfied that it would not be in the interest of the insurer to apply the provisions of this section.

27B. Provisions regarding investments of assets of insurer carrying general insurance business. - (1) All assets of an insurer carrying on general insurance business shall, subject to such conditions, if any, as may

be prescribed, be deemed to be assets invested or kept invested in approved investments specified in section 27.

(2) All assets shall (except for a part thereof not exceeding one-tenth of the total assets in value which may be subject to such conditions and restrictions as may be prescribed, be offered as security for any loan taken for purposes of any investment or for payment of claims, or which may be kept as security deposit with the banks for acceptance of policies) be held free of any encumbrance, charge, hypothecation or lien.

(3) Without prejudice to the powers conferred on the Authority by sub-section (5) of section 27A nothing contained in this section shall be deemed to require any insurer to realise any investment made in conformity with the provisions of sub-section (1) of section 27 after the commencement of the Insurance (Amendment) Act, 1968, which, after the making thereof, has ceased to be an approved investment within the meaning of this section.

27C. Investment by insurer in certain cases. - An insurer may invest not more than five per cent. in aggregate of his controlled fund or assets as referred to in sub-section (2) of section 27 in the companies belonging to the promoters, subject to such conditions as may be specified by the regulations.

27D. Manner and condition of investment. - (1) Without prejudice to anything contained in this section, the Authority may, in the interests of the policyholders, specify by the regulations, the time, manner and other conditions of investment of assets to be held by an insurer for the purposes of this Act.

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

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

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

27E. Prohibition for investment of funds outside India. - No insurer shall directly or indirectly invest outside India the funds of the policyholders.]

[28. Statement and return of investment of assets. - Every insurer shall submit to the Authority returns giving details of investments made, in such form, time and manner including its authentication as may be specified by the regulations.]

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28. Statement of investments of assets. - [(1) Every insurer][* * *][carrying on the business of life insurance shall every year, within thirty-one days from the beginning of the year, submit to the] [Authority] a [return][showing as at the 31st day of December of the preceding year the assets held invested in accordance with section 27, and all other particulars necessary to establish that the requirements of that section have been complied with, and such] [return][shall be certified by a principal officer of the insurer.]

[(2) Every such insurer shall also furnish, within fifteen days from the last day of March, June and September, a] [return] [certified as aforesaid showing as at the end of each of said months the assets held invested in accordance with section 27.]

[(2-A) In respect of the Government securities and other approved securities invested and kept invested in accordance with sub-section (1) of section 27 an insurer shall submit alongwith the returns referred to in sub-sections (1) and (2) a certificate, where such assets are in the custody of a banking company, from that company, and in any other case, from the chairman, two directors and a principal officer, if the insurer is a company, or otherwise from a principal officer of the insurer, to the effect that the securities are held free of any encumbrance, charge, hypothecation, or lien, and every such certificate after the first shall also state that since the date of the certificate immediately preceding all the securities have been so held.

(2-B) In respect of the assets forming the controlled fund within the meaning of section 27-A, and which do not form part of the Government securities and approved securities invested and kept invested in accordance with section 27, an insurer shall submit, alongwith the returns referred to in sub-sections (1) and (2), a statement, where such assets are in the custody of a banking company, from that company, and, in any other case, from the chairman, two directors and a principal officer if the insurer is a company, or from a principal officer of the insurer if the insurer is not a company, specifying the assets, which are subjected to a charge and certifying that the other assets are held free of any encumbrance, charge, hypothecation, or lien, and every such statement after the first shall also specify the charges created in respect of any of those assets since the date of the statement immediately preceding, and, if any such charges have been liquidated, the date on which they were so liquidated.]

[(3) The] [Authority][may at his discretion require any insurer to whom sub-section (1) applies to submit before the 1st day of August in each or any year a] [return][of the nature referred to in sub-section (1), certified as required by that sub-section and prepared as at the 30th day of June.

(4) In the case of an insurer having his principal place of business or domicile outside] [India], the [Authority][may, on application made by the

insurer, extend the periods of fifteen and thirty-one days mentioned in the foregoing sub-sections to thirty days and sixty days, respectively.]

[(5)] The [Authority] shall be entitled at any time to take such steps as [it] may consider necessary for the inspection or verification of the assets invested in compliance with section 27 [or for the purpose of securing the particulars necessary to establish that the requirements of that section have been complied with.][The insurer shall comply with any requisition made in this behalf by the][Authority][, and if he fails to do so within two months from the receipt of the requisition he shall be deemed to have made default in complying with the requirements of this section.]

[28A. Return of investments relating to controlled fund and changes therein. - (1) Every insurer carrying on life insurance business, shall every year, within thirty-one days from the beginning of the year submit to the][Authority][a return] [, in the form specified by the regulations made by the Authority][showing as at the][31st day of March][of the preceding year, the investments made out of the controlled fund referred to in section 27-A, and every such return shall be certified by a principal officer of the insurer.

(2) Every insurer referred to in sub-section (1) shall also submit to the] [Authority][a return,] [, in the form specified by the regulations made by the][Authority]][showing all the changes that occurred in the investments aforesaid during each of the quarters ending on the last day of March, June, September and December within thirty-one days from the close of the quarter to which it relates, and every such return shall be certified by a principal officer of the insurer.]

[28B. Returns of investments relating to the assets and changes therein. - (1) Every insurer carrying on general insurance business, shall, every year, within thirty-one days from the beginning of the year, submit to the][Authority][a return] [in the form specified by the regulations made by the Authority showing][as at the] [31st day of March][of the preceding year the investments made out of his assets referred to in section 27-B, and every such return shall be certified by a principal officer of the insurer.

(2) Every insurer referred to in sub-section (1) shall also submit to the] [Authority][a return] [in the form specified by the regulations made by the Authority showing][showing all the changes that occurred in the investments aforesaid during each of the quarters ending on the last day of March, June, September and December within thirty-one days from the close of the quarter to which it relates, and every such return shall be certified by a principal officer of the insurer.

(3) Every insurer shall submit, alongwith the returns referred to in sub-sections (1) and (2), a statement, where any part of the assets are in the custody of a banking company, from that company, and in any other case, from the Chairman, two directors and a principal officer, if the insurer is a

company, or from a principal officer of the insurer, if the insurer is not a company, specifying the assets, which are subject to a charge and certifying that the other assets are held free of any encumbrance, charge, hypothecation or lien, and every such statement after the first shall also specify the charges created in respect of any of those assets since the date of the statement immediately preceding, and, if any such charges have been liquidated, the date on which they were so liquidated.]

[29. Prohibition of loans. - (1) No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security or otherwise, except loans on life insurance policies issued by him within their surrender value, to any director, manager, actuary, auditor or officer of the insurer, if a company or to any other company or firm in which any such director, manager, actuary or officer holds the position of a director, manager, actuary, officer or partner:

Provided that nothing contained in this sub-section shall apply to such loans, made by an insurer to a banking company, as may be specified by the Authority:

Provided further that nothing in this section shall prohibit a company from granting such loans or advances to a subsidiary company or to any other company of which the company granting the loan or advance is a subsidiary company if the previous approval of the Authority is obtained for such loan or advance.

(2) The provisions of section 185 of the Companies Act, 2013 shall not apply to a loan granted to a director of an insurer being a company, if the loan is one granted on the security of a policy on which the insurer bears the risk and the policy was issued to the director on his own life, and the loan is within the surrender value of the policy.

(3) Subject to the provisions of sub-section (1), no insurer shall grant-

(a) any loans or temporary advances either on hypothecation of property or on personal security or otherwise, except such loans as may be specified by the regulations including the loans sanctioned as part of their salary package to the full-time employees of the insurer as per the scheme duly approved by its Board of Directors;

(b) temporary advances to any insurance agent to facilitate the carrying out of his functions as such except in cases where such advances do not exceed in the aggregate the renewal commission earned by him during the immediately preceding year.

(4) Where any event occurs giving rise to circumstances, the existence of which at the time of grant of any subsisting loan or advance would have made such grant a contravention of this section, such loan or advance shall, notwithstanding anything in any contract to the contrary, be repaid within three months from the occurrence of such event.

(5) In case of default in complying with the provisions of sub-section (4), the director, manager, auditor, actuary, officer or insurance agent concerned shall, without prejudice to any other penalty which he may incur, cease to hold office under, or to act for, the insurer granting the loan on the expiry of three months.]

[30. Liability of directors, etc., for loss due to contravention of section 27, 27A, 27B, 27C, 27D or section 29. - If by reason of a contravention of any of the provisions of section 27, 27A, 27B, 27C, 27D or section 29, any loss is sustained by the insurer or by the policyholders, every director, manager or officer who is knowingly a party to such contravention shall, without prejudice to any other penalty to which he may be liable under this Act, be jointly and severally liable to make good the amount of such loss.]

31. Assets of insurer how to be kept. - [(1) None of the assets in India of any insurer shall, except in so far as assets are required to be vested in trustees under sub-section (7) of section 27, be kept otherwise than in the name of a public officer approved by the Authority, or in the corporate name of the undertaking, if a company or an insurance co-operative society, as the case may be.]

[(2) Nothing contained in this section shall be deemed to prohibit the endorsement in favour of a banking company of any security or other document solely for the purpose of collection or for realisation of interest, bonus or dividend.]

[31A. Provisions relating to managers, etc. - (1) Notwithstanding anything to the contrary contained in [the Companies Act, 2013 (18 of 2013)], or in the articles of association of the insurer, if a company, or in any contract or agreement, no insurer shall, after the expiry of one year from the commencement of the Insurance (Amendment) Act, 1950,-

(a) be managed by a company or a firm, or

(b) be directed or managed by, or employ as manager or officer or in any capacity, any person whose remuneration or any part thereof takes the form of commission or bonus or a share in the valuation surplus in respect of the life insurance business of the insurer, or

(c) be directed or managed by, or employ as manager or officer or in any capacity, any person whose remuneration or any part thereof takes the form of commission or bonus in respect of the general insurance business of the insurer:

Provided that nothing in this sub-section shall be deemed to prohibit-

[(i) the payment of commission to an insurance agent, in respect of insurance business procured by or through him;]

[* * *]

- (iv) the employment of any individual in a clerical or other subordinate capacity who, as an insurance agent, receives commission in respect of insurance business procured by him;
- (v) the employment as an officer of any individual who receives renewal commission in respect of life insurance business procured by him in his capacity as an insurance agent or as an employer of agents before such employment, or before the commencement of the Insurance (Amendment) Act, 1950, whichever is later;
- (vi) the payment of a share in the profits of general insurance business;
- (vii) the payment of bonus in any year on a uniform basis to all salaried employees or any class of them by way of additional remuneration][* * *].

[(2) Notwithstanding anything to the contrary contained in [the Companies Act, 2013 (18 of 2013)], or in the articles of association of the insurer, being a company, or in any contract or agreement, no manager, managing director or any other person concerned in the management of an insurer's business shall be entitled to nominate a successor to his office, and no person so nominated, whether before or after the commencement of the Insurance (Amendment) Act, 1950, shall be entitled to hold or to continue in such office.

(3) If in the case of any insurance company provision is made by the articles of association of the company or by an agreement entered into between any person and the company for empowering a director or manager or other officer of the company to assign his office to any other person, any assignment of office made in pursuance of the said provision, shall, notwithstanding anything to the contrary contained in the said provision [or in any other law for the time being in force], be void.

(4) No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any provision of this section.]

[31B. Power to restrict payment of excessive remuneration. - No insurer shall in respect of insurance business transacted by him, shall pay to any person by way of remuneration, whether by way of commission or otherwise in excess of such sum as may be specified by the regulations.]

32. [* * *]

[32A. Prohibition of common officers and requirement as to whole-time officers. - (1) A managing director or other officer of an insurer [* * *] carrying on life insurance business shall not be a managing director or other officer of any other insurer carrying on life insurance business or of a banking company or of an investment company:

Provided that the] [Authority][may permit such managing director or other officer to be a managing director or other officer of any other insurer

carrying on life insurance business for the purpose of amalgamating the business of the two insurers or transferring the business of one insurer to the other.]

[* * *]

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

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

[32D. Obligation of insurer in respect of insurance business in third party risks of motor vehicles. - Every insurer carrying on general insurance business shall, after the commencement of the Insurance Laws (Amendment) Act, 2015, underwrite such minimum percentage of insurance business in third party risks of motor vehicles as may be specified by the regulations:

Provided that the Authority may, by regulations, exempt any insurer who is primarily engaged in the business of health, re-insurance, agriculture, export credit guarantee, from the application of this section.]

[*Investigation*]

[33. Power of investigation and inspection by Authority. - (1) The Authority may, at any time, if it considers expedient to do so by order in writing, direct any person (herein referred to as "Investigating Officer") specified in the order to investigate the affairs of any insurer or intermediary or insurance intermediary, as the case may be, and to report to the Authority on any investigation made by such Investigating Officer:

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

(2) Notwithstanding anything to the contrary contained in section 210 of the Companies Act, 2013, the Investigating Officer may, at any time, and shall, on being directed so to do by the Authority, cause an inspection to be made by one or more of his officers of the books of account of any insurer or intermediary or insurance intermediary, as the case may be, and the

Investigating Officer shall supply to the insurer or intermediary or insurance intermediary, as the case may be, a copy of the report on such inspection.

(3) It shall be the duty of every manager, managing director or other officer of the insurer including a service provider, contractor of an insurer where services are outsourced by the insurer, or intermediary or insurance intermediary, as the case may be, to produce before the Investigating Officer directed to make the investigation under sub-section (1), or inspection under sub-section (2), all such books of account, registers, other documents and the database in his custody or power and to furnish him with any statement and information relating to the affairs of the insurer or intermediary or insurance intermediary, as the case may be, as the Investigating Officer may require of him within such time as the said Investigating Officer may specify.

(4) Any Investigating Officer, directed to make an investigation under subsection (1), or inspection under sub-section (2), may examine on oath, any manager, managing director or other officer of the insurer including a service provider or contractor where the services are outsourced by the insurer or intermediary or insurance intermediary, as the case may be, in relation to his business.

(5) The Investigating Officer shall, if he has been directed by the Authority to cause an inspection to be made, make a report to the Authority on such inspection.

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

- (a) require the insurer, to take such action in respect of any matter arising out of the report as the Authority may think fit; or
- (b) cancel the registration of the insurer or intermediary or insurance intermediary, as the case may be; or
- (c) direct any person to apply to the court for the winding up of the insurer or intermediary or insurance intermediary, as the case may be, if it is a company, whether the registration of the insurer or intermediary or insurance intermediary, as the case may be, has been cancelled under clause (b) or not.

(7) The Authority may by the regulations made by it specify the minimum information to be maintained by insurers or intermediary or insurance intermediary, as the case may be, in their books, the manner in which such information shall be maintained, the checks and other verifications to be adopted by insurers or intermediary or insurance intermediary, as the case may be, in that connection and all other matters incidental thereto as are, in

its opinion, necessary to enable the Investigating Officer to discharge satisfactorily his functions under this section.

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

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

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

(8) Any insurer or intermediary or insurance intermediary aggrieved by any order made under this section may prefer an appeal to the Securities Appellate Tribunal.

(9) All expenses of, and incidental to, any investigation made under this section shall be defrayed by the insurer or intermediary or insurance intermediary, as the case may be, shall have priority over the debts due from the insurer and shall be recoverable as an arrear of land revenue.]

[*Appointment of staff*]

33A. Power to appoint staff. - The [* * *][Authority] may appoint such staff, and at such places as it or he may consider necessary, for the scrutiny of the returns, statements and information furnished by insurers under this Act and generally to ensure the efficient performance of the functions of the [Authority] under this Act.

Power to issue directions

34. Power of the [Authority] to issue directions. - (1) Where the [Authority] is satisfied that-

(a) in the public interest; or

(b) to prevent the affairs of any insurer being conducted in a manner detrimental to the interests of the policy-holders or in a manner prejudicial to the interests of the insurer; or

(c) generally to secure the proper management of any insurer, it is necessary to issue directions to insurers generally or to any insurer in particular, he may, from time to time, issue such directions as [it] deems fit, and the insurers or the insurer, as the case may be, shall be bound to comply with such directions:

Provided that no such direction shall be issued to any insurer in particular unless such insurer has been given a reasonable opportunity of being heard.

(2) The [Authority] may, on representation made to [it] or on [it] own motion, modify or cancel any direction issued under sub-section (1), and in so modifying or cancelling any direction, may impose such conditions as [it] thinks fit, subject to which the modification or cancellation shall have effect.

Control over management

34A. Amendment of provisions relating to appointments of managing directors, etc., to be subject to previous approval of the [Authority]. - (1) In the case of an insurer,-

- (a) no amendment made after the commencement of the Insurance (Amendment) Act, 1968, of any provision relating to the appointment, re-appointment, termination of appointment or remuneration of a managing or whole-time director, or of a manager or a chief executive officer, by whatever name called, whether that provision be contained in the insurer's memorandum or articles of association, or in an agreement entered into by him, or in any resolution passed by the insurer in general meeting or by his Board of directors shall have effect unless approved by the [Authority];
- (b) no appointment, re-appointment or termination of appointment, made after the commencement of the Insurance (Amendment) Act, 1968, of a managing or whole-time director, or a manager or a chief executive officer, by whatever name called, shall have effect unless such appointment, re-appointment or termination of appointment is made with the previous approval of the [Authority].

Explanation.-For the purposes of this sub-section, any provision conferring any benefit or providing any amenity or perquisite, in whatever form, whether during or after the termination of the term of office of the manager or the chief executive officer, by whatever name called, or a managing or whole-time director, shall be deemed to be a provision relating to his remuneration.

(2) Nothing contained in sections 268 and 269, the proviso to sub-section (3) of section 309, sections 310 and 311, the proviso to section 387, and section 388 (in so far as section 388 makes the provisions of sections 310 and 311 apply in relation to the manager of a company) of [the Companies Act, 2013 (18 of 2013)], shall apply to any matter in respect of which the approval of the [Authority] has to be obtained under sub-section (1).

(3) No act done by a person as a managing or whole-time director or a director not liable to retire by rotation or a manager or a chief executive officer, by whatever name called, shall be deemed to be invalid on the ground that it is subsequently discovered that his appointment or re-appointment had not taken effect by reason of any of the provisions of this Act; but nothing in this sub-section shall be construed as rendering valid any act done by such person after his appointment or re-appointment has been shown to the insurer not to have had effect.

34B. Power of [Authority] to remove managerial persons from office. - (1) Where the [Authority] is satisfied that in the public interest or for preventing the affairs of an insurer being conducted in a manner detrimental to the interests of the policy-holders or for securing the proper management of any insurer it is necessary so to do, [it] may, for reasons to

be recorded in writing, by order, remove from office, with effect from such date as may be specified in the order, any director or the chief executive officer, by whatever name called, of the insurer.

(2) No order under sub-section (1) shall be made unless the director or chief executive officer concerned has been given a reasonable opportunity of making a representation to the [Authority] against the proposed order:

Provided that if, in the opinion of the [Authority], any delay would be detrimental to the interests of the insurer or his policy-holders, [it] may, at the time of giving the opportunity aforesaid or at any time thereafter, by order direct that, pending the consideration of the representation aforesaid, if any, the director or, as the case may be, chief executive officer, shall not, with effect from the date of such order,-

(a) act as such director or chief executive officer of the insurer;

(b) in any way, whether directly or indirectly, be concerned with, or take part in, the management of the insurer.

(3) Where any order is made in respect of a director or chief executive officer of an insurer under sub-section (1), he shall cease to be a director or, as the case may be, chief executive officer of the insurer and shall not, in any way, whether directly or indirectly, be concerned with, or take part in, the management of any insurer for such period not exceeding five years as may be specified in the order.

[(4) If any person in respect of whom an order is made by the Authority under sub-section (1) or under the proviso to sub-section (2), contravenes the provisions of this section, he shall be liable to a penalty of one lakh rupees for each day during which such contravention continues or one crore rupees, whichever is less.]

(5) Where an order under sub-section (1) has been made, the [Authority] may, by order in writing, appoint a suitable person in place of the director or chief executive officer who has been removed from his office under that sub-section, with effect from such date as may be specified in the order.

(6) Any person appointed as director or chief executive officer under this section shall,-

(a) hold office during the pleasure of the [Authority] and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the [Authority] may specify;

(b) not incur any obligation or liability by reason only of his being a director or chief executive officer or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto.

(7) Notwithstanding anything contained in any law or in any contract, memorandum or articles of association, on the removal of a person from

office under this section, that person shall not be entitled to claim any compensation for the loss or termination of office.

34C. Power of [Authority] to appoint additional directors. - [(1) If the Authority is of opinion that in the public interest or in the interest of an insurer or his policyholders it is necessary so to do, it may, from time to time, by order in writing, appoint, in consultation with the Central Government with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the insurer:

Provided that the number of additional directors so appointed shall not, at any time, exceed five or one-third of the maximum strength fixed for the Board by the articles of association of the insurer, whichever is less.]

(2) Any person appointed as additional director in pursuance of this section, -

(a) shall hold office during the pleasure of the [Authority], and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the [Authority] may specify;

(b) shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto; and

(c) shall not be required to hold qualification shares of the insurer.

(3) For the purpose of reckoning any proportion of the total number of directors of the insurer, any additional director appointed under this section shall not be taken into account.

34D. Sections 34B and 34C to override other laws. - Any appointment or removal of a director or chief executive officer in pursuance of section 34-B or section 34-C shall have effect notwithstanding anything to the contrary contained in [the Companies Act, 2013 (18 of 2013)], or any other law for the time being in force or in any contract or any other instrument.

34E. Further powers of [Authority].-The [Authority] may,-

(a) caution or prohibit insurers, generally or any insurer in particular against entering into any particular transaction or class of transactions, and generally give advice to any insurer;

(b) at any time, if it is satisfied that in the public interest or in the interests of the insurer or for preventing the affairs of the insurer being conducted in a manner detrimental to the interests of the insurer or his policy-holders, it is necessary so to do, by order in writing and on such terms and conditions as may be specified therein,-

(i) require the insurer to call a meeting of his directors for the purpose of considering any matter relating to or arising out of the affairs of the insurer;

(ii) depute one or more of his officers to watch the proceedings at any meeting of the Board of directors of the insurer or of any

committee or of any other body constituted by it; require the insurer to give an opportunity to the officers so deputed to be heard at such meetings and also require such officers to send a report of such proceedings to the [Authority];

- (iii) require the Board of directors of the insurer or any committee or any other body constituted by it to give in writing to any officer specified by the [Authority] in this behalf at his usual address all notices if, and other communications relating to, any meeting of the Board, committee or other body constituted by it;
- (iv) appoint one or more of his officers to observe the manner in which the affairs of the insurer or of his offices or branches are being conducted and make a report thereon;
- (v) require the insurer to make, within such time as may be specified in the order, such changes in the management as the [Authority] may consider necessary.

34F. Power of [Authority] to issue directions regarding re-insurance treaties, etc. - (1) Without prejudice to the generality of the powers conferred by sub-section (1) of section 34, the [Authority] may, if [it] is of opinion that the terms or conditions of any re-insurance treaty or other re-

insurance contract entered into by an insurer are not favourable to the insurer or are detrimental to the public interest, [it] may, by order, require the insurer to make, at the time when the renewal of such treaty or contract becomes next due, such modifications in the terms and conditions of such treaty or contract as [it] may specify in the order or not to renew such treaty or contract, and, if the insurer fails to comply with such order, he shall be deemed to have failed to comply with the provisions of this Act.

(2) The [Authority] may, if [it] has reason to believe that an insurer is entering into or is likely to enter into re-insurance treaties or other re-insurance contracts which are not favourable to the insurer or are detrimental to the public interest, [it] may, by order, direct that the insurer shall not enter into such re-insurance treaty or other re-insurance contract unless a copy of such treaty or contract has been furnished to [it] in advance and the terms and conditions thereof have been approved by [it] and if the insurer fails to comply with such order he shall be deemed to have failed to comply with the requirements of this Act.

34G.[* * *]

34H. Search and seizure. - (1) Where the [Chairperson of the Authority], in consequence of information in his possession, has reason to believe that-

- (a) any person who has been required under sub-section (2) of section 33 to produce, or cause to be produced, any books, accounts or other documents in his custody or power has omitted or failed to produce, or cause to be produced, such books, accounts or other documents, or

- (b) any person to whom a requisition to produce any books, accounts or other documents as aforesaid has been or might be issued will not, or would not, produce or cause to be produced, any books, accounts or other documents which will be useful for, or relevant to, an investigation under sub-section (1) of section 33 or an inspection under sub-section (1-A) of that section, or
- (c) a contravention of any provision of this Act has been committed or is likely to be committed by an insurer, or
- (d) any claim which is due to be settled by an insurer, has been or is likely to be settled at a figure higher than a reasonable amount, or
- (e) any claim which is due to be settled by an insurer, has been or is likely to be rejected or settled at a figure lower than a reasonable amount, or
- (f) any illegal rebate or commission has been paid or is likely to be paid by an insurer, or
- (g) any books, accounts, receipts, vouchers, survey reports or other documents, belonging to an insurer are likely to be tampered with, falsified or manufactured, he may authorise any subordinate officer of his, not lower in rank than [a Deputy Director or an equivalent officer] (hereafter referred to as the authorised officer) to-
 - (i) enter and search any building or place where he has reason to suspect that such books, accounts or other documents, or any books or papers relating to any claim, rebate or commission or any receipts, vouchers, reports or other documents are kept;
 - (ii) break open the lock of any door, box, locker, safe, almirah or other receptacle for exercising the powers conferred by clause (i) where the keys thereof are not available;
 - (iii) seize all or any such books, accounts or other documents, found as a result of such search;
 - (iv) place marks of identification on such books, accounts or other documents or make or cause to be made extracts or copies therefrom.

(2) The authorised officer may requisition the services of any police officer or of any officer of the Central Government, or of both, to assist him for all or any of the purposes specified in sub-section (1) and it shall be the duty of every such officer to comply with such requisition.

(3) The authorised officer may, where it is not practicable to seize any such book, account or other document, specified in sub-section (1), serve an order on the person who is in immediate possession or control thereof that he shall not remove, part with or otherwise deal with it except with the

previous permission of such officer and such officer may take such steps as may be necessary for ensuring compliance with this sub-section.

(4) The authorised officer may, during the course of the search or seizure, examine on oath any person who is found to be in possession or control of any books, accounts or other documents, and any statement made by such person during such examination may thereafter be used in evidence in any proceeding under this Act.

(5) The books, accounts, papers, receipts, vouchers, reports, or other documents seized under sub-section (1) shall not be retained by the authorised officer for a period exceeding one hundred and eighty days from the date of the seizure unless the reasons for retaining the same recorded by him in writing and the approval of the [Chairperson of the Authority] for such retention is obtained:

Provided that the Chairperson of the Authority shall not authorise the retention of the books, accounts, papers, receipts, vouchers, reports, or other documents for a period exceeding thirty days after all the proceedings under this Act for which the books, accounts, papers, receipts, vouchers, reports, or other documents are relevant are completed.

(6) The person from whose custody any books, accounts, papers, receipts, vouchers, reports, or other documents are seized under sub-section (1) may make copies thereof, or take extracts therefrom, in the presence of the authorised officer or any other person empowered by him in this behalf at such place and time as the authorised officer may appoint in this behalf.

(7) If a person legally entitled to the books, accounts, papers, receipts, vouchers, reports, or other documents seized under sub-section (1) objects for any reason to the approval given by the Chairperson of the Authority under sub-section (5), he may make an application to the [Securities Appellate Tribunal] stating therein the reason, for such objection and requesting for the return of the books, accounts, papers, receipts, vouchers, reports, or other documents.

(8) On receipt of the application under sub-section (7), the [Securities Appellate Tribunal] may, after giving the applicant an opportunity of being heard, pass such orders as it thinks fit.

(9) The provisions of the [Code of Criminal Procedure, 1898], relating to searches and seizures shall apply, so far as may be, to every search and seizure made under sub-section (1).

(10) The Central Government [may, by notification in the Official Gazette, make rule] in relation to any search or seizure under this section; in particular, and without prejudice to the generality of the foregoing power, such rules may provide for the procedure to be followed by the authorised officer,-

- (i) for obtaining ingress into such building or place to be searched where free ingress thereto is not available;

- (ii) for ensuring safe custody of any books, accounts, papers, receipts, vouchers, reports, or other documents seized under this section.

Amalgamation and transfer of insurance business

35. Amalgamation and transfer of insurance business. - [(1) Notwithstanding anything contained in any other law for the time being in force, no insurance business of an insurer shall be transferred to or amalgamated with the insurance business of any other insurer except in accordance with a scheme prepared under this section and approved by the Authority.]

(2) Any scheme prepared under this section shall set out the agreement under which the transfer or amalgamation is proposed to be effected, and shall contain such further provisions as may be necessary for giving effect to the scheme.

(3) Before an application is made to the [Authority] [to approve any such scheme], notice of the intention to make the application together with a statement of the nature of the amalgamation or transfer, as the case may be, and of the reason therefor shall, at least two months before the application is made, be sent to the [Authority][and certified copies, four in number, of each of the following documents shall be furnished to the] [Authority][, and other such copies shall] during the two months aforesaid be kept open for the inspection of the members and policy-holders at the principal and branch offices and chief agencies of the insurers concerned, namely:-

- (a) a draft of the agreement or deed under which it is proposed to effect the amalgamation or transfer;
- [(b) balance sheets in respect of the insurance business of each of the insurers concerned in such amalgamation or transfer, prepared in such forms as may be specified by the regulations;
- (c) actuarial reports and abstracts in respect of the life insurance business of each of the insurers so concerned, prepared in conformity with the regulations specified in this regard.]
- (d) a report on the proposed amalgamation or transfer, prepared by an independent actuary who has never been professionally connected with any of the parties concerned in the amalgamation or transfer at any time in the five years preceding the date on which he signs his report;
- (e) any other reports on which the scheme of amalgamation or transfer was founded.

The balance-sheets, reports and abstracts referred to in clauses (b), (c) and (d) shall all be prepared as at the date at which [the amalgamation or transfer if approved] by the [Authority] is to take effect, which date shall not

be more than twelve months before the date on which the application to the [Authority] is made under this section:

Provided that if the [Authority] so directs in the case of any particular insurer there may be substituted respectively for the balance-sheet, report and abstract referred to in clauses (b) and (c) prepared in accordance with this sub-section certified copies of the last balance-sheet and last report and abstract prepared in accordance with sections 11 and 13 [of this Act or sections 7 and 8 of the Indian Life Assurance Companies Act, 1912,] if that balance-sheet is prepared as at a date not more than twelve months, and that report and abstract as at a date not more than five years, before the date on which the application to the [Authority] is made under this section.

[* * *]

[36. Sanction of amalgamation and transfer by Authority. - When any application under sub-section (3) of section 35 is made to the Authority, the Authority shall cause, a notice of the application to be given to the holders of any kind of policy of insurer concerned alongwith statement of the nature and terms of the amalgamation or transfer, as the case may be, to be published in such manner and for such period as it may direct, and, after hearing the directors and considering the objections of the policyholders and any other persons whom it considers entitled to be heard, may approve the arrangement, and shall make such consequential orders as are necessary to give effect to the arrangement.]

37. Statements required after amalgamation and transfer. - Where an amalgamation takes place between any two or more insurers, or [where any business of an insurer is transferred], whether in accordance with a scheme confirmed by the [Authority] or otherwise, the insurer carrying on the amalgamated business or [the person to whom the business is transferred], as the case may be, shall, within three months from the date of the completion of the amalgamation or transfer, [furnish in duplicate to the] [Authority] -

- (a) a certified copy of the scheme, agreement or deed under which the amalgamation or transfer has been effected, and
- (b) [a declaration signed by every party concerned] or in the case of a company by the chairman and the principal officer that to the best of their belief every payment made or to be made to any person whatsoever on account of the amalgamation or transfer is therein fully set forth and that no other payments beyond those set forth have been made or are to be made either in money, policies, bonds, valuable securities or other property by or with the knowledge of any parties to the amalgamation or transfer, and

[(c) where the amalgamation or transfer has not been made in accordance with a scheme approved by the] [Authority] [under section 36-

- (i) balance-sheets in respect of the insurance business of each of the insurers concerned in such amalgamation or transfer, prepared in the form set forth in Part II of the First Schedule and in accordance with the regulations contained in Part I of that Schedule, and
- (ii) certified copies of any other reports on which the scheme of amalgamation or transfer was founded.]

[37A. Power of] [Authority] [to prepare scheme of amalgamation. -

(1) If the] [Authority] [is satisfied that-

- (i) in the public interest; or
- (ii) in the interests of the policy-holders; or
- (iii) in order to secure the proper management of an insurer; or
- (iv) in the interests of insurance business of the country as a whole, it is necessary so to do,] [it] [may prepare a scheme for the amalgamation of that insurer with any other insurer (hereinafter referred to in this section as the transferee insurer):

Provided that no such scheme shall be prepared unless the other insurer has given his written consent to the proposal for such amalgamation.

(2) The scheme aforesaid may contain provisions for all or any of the following matters, namely:-

- (a) the constitution, name and registered office, the capital, assets, powers, rights, interests, authorities and privileges, and the liabilities, duties and obligations of the transferee insurer;
- (b) the transfer to the transferee insurer of the business, properties, assets and liabilities of the insurer on such terms and conditions as may be specified in the scheme;
- (c) any change in the Board of Directors, or the appointment of a new Board of Directors of the transferee insurer and the authority by whom, the manner in which, and the other terms and conditions on which, such change or appointment shall be made and, in the case of appointment of a new Board of Directors or of any director, the period for which such appointment shall be made;
- (d) the alteration of the memorandum and articles of association of the transferee insurer for the purpose of altering the capital thereof or for such other purposes as may be necessary to give effect to the amalgamation;
- (e) subject to the provisions of the scheme, the continuation by or against the transferee insurer, of any actions or proceedings pending against the insurer;

- (f) the reduction of the interest or rights which the shareholders, policy-holders and other creditors have in or against the insurer before the amalgamation to such extent as the] [Authority][considers necessary in the public interest or in the interests of the shareholders, policy-holders and other creditors or for the maintenance of the business of the insurer;
- (g) the payment in cash or otherwise to policy-holders and other creditors in full satisfaction of their claim,-
 - (i) in respect of their interest or rights in or against the insurer before the amalgamation; or
 - (ii) where their interest or rights aforesaid in or against the insurer has or have been reduced under clause (f), in respect of such interest or rights as so reduced;
- (h) the allotment to the shareholders of the insurer for shares held by them therein before the amalgamation [whether their interest in such shares has been reduced under clause (f) or not of shares in the transferee insurer and where any shareholders claim payment in cash and not allotment of shares, or where it is not possible to allot shares to any shareholders, the payment in cash to those shareholders in full satisfaction of their claim-
 - (i) in respect of their interest in shares in the insurer before the amalgamation; or
 - (ii) where such interest has been reduced under clause (f) in respect of their interest in shares as so reduced;
- (i) the continuance of the services of all the employees of the insurer (excepting such of them as not being workmen within the meaning of the Industrial Disputes Act, 1947, are specifically mentioned in the scheme) in the transferee insurer at the same remuneration and on the same terms and conditions of service, which they were getting or, as the case may be, by which they were being governed, immediately before the date of the amalgamation:

Provided that the scheme shall contain a provision that the transferee insurer shall pay or grant not later than the expiry of the period of three years, from the date of the amalgamation, to the said employees the same remuneration and the same terms and conditions of service as are applicable to the other employees of corresponding rank or status of the transferee insurer subject to the qualifications and experience of the said employees being the same as or equivalent to those of such other employees of the transferee insurer:

Provided further that if in any case any doubt or difference arises as to whether the qualification and experience of any of the said employees are

the same as or equivalent to the qualifications and experience of the other employees of corresponding rank or status of the transferee insurer, the doubt or difference shall be referred to the] [Authority][whose decision thereon shall be final;

(j) notwithstanding anything contained in clause (i), where any of the employees of the insurer not being workmen within the meaning of the Industrial Disputes Act, 1947, are specifically mentioned in the scheme under clause (i) or where any employees of the insurer have by notice in writing given to the insurer or, as the case may be, the transferee insurer at any time before the expiry of one month next following the date on which the scheme is sanctioned by the Central Government, intimated their intention of not becoming employees of the transferee insurer, the payment to such employees of compensation, if any, to which they are entitled under the Industrial Disputes Act, 1947, and such pension, gratuity, provident fund or other retirement benefits ordinarily admissible to them under the rules or authorisations of the insurer immediately before the date of the amalgamation;

(k) any other terms and conditions for the amalgamation of the insurer;

(l) such incidental, consequential and supplemental matters as are necessary to secure that the amalgamation shall be fully and effectively carried out.

(3)(a) A copy of the scheme prepared by the] [Authority][shall be sent in draft to the insurer and also to the transferee insurer and any other insurer concerned in the amalgamation, for suggestions and objections, if any, within such period as the] [Authority][may specify for this purpose.

(b) The] [Authority][may make such modifications, if any, in the draft scheme as] [it][may consider necessary in the light of the suggestions and objections received from the insurer and also from the transferee insurer and any other insurer concerned in the amalgamation and from any shareholder, policy-holder or other creditor of each of those insurers and the transferee insurer.

[(4) The scheme shall thereafter be placed before the Central Government for its sanction and the Central Government may sanction the scheme without any modification or with such modifications as it may consider necessary, and the scheme as sanctioned by the Central Government shall come into force on such date as the Central Government may notify in this behalf in the Official Gazette:

Provided that different dates may be specified for different provisions of the scheme.

(4A) Every policyholder or shareholder or member of each of the insurers, before amalgamation, shall have the same interest in, or rights against the

insurer resulting from amalgamation as he had in the company of which he was originally a policyholder or shareholder or member:

Provided that where the interests or rights of any shareholder or member are less than his interest in, or rights against, the original insurer, he shall be entitled to compensation, which shall be assessed by the Authority in such manner as may be specified by the regulations.

(4B) The compensation so assessed shall be paid to the shareholder or member by the insurance company resulting from such amalgamation.

(4C) Any member or shareholder aggrieved by the assessment of compensation made by the Authority under sub-section (4A) may within thirty days from the publication of such assessment prefer an appeal to the Securities Appellate Tribunal.]

Provided that different dates may be specified for different provisions of the scheme.

(5) The sanction accorded by the Central Government under sub-section (4) shall be conclusive evidence that all the requirements of this section relating to amalgamation have been complied with and a copy of the sanctioned scheme certified in writing by an officer of the Central Government to be a true copy thereof shall, in all legal proceedings (whether in appeal or otherwise) be admitted as evidence to the same extent as the original scheme.

(6) The] [Authority][may, in like manner, add to, amend or vary any scheme made under this section.

(7) On and from the date of the coming into operation of the scheme or any provision thereof, the scheme or such provision shall be binding on the insurer or, as the case may be, on the transferee insurer and any other insurer concerned in the amalgamation and also on all the shareholders, policy-holders and other creditors and employees of each of those insurers and of the transferee insurer, and on any other person having any right or liability in relation to the any of those insurers or the transferee insurer.

(8) On and from such date as may be specified by the Central Government in this behalf, the properties and assets of the insurer shall, by virtue of and to the extent provided in the scheme, stand transferred to, and vest in, and the liabilities of the insurer shall, by virtue of and to the extent provided in the scheme, stand transferred to and become the liabilities of, the transferee insurer.

(9) If any difficulty arises in giving effect to the provisions of the scheme, the Central Government may by order do anything not inconsistent with such provisions which appears to it necessary or expedient for the purpose of removing the difficulty.

(10) Copies of every scheme made under this section and of every order made under sub-section (9) shall be laid before each House of Parliament, as soon as may be, after the scheme has been sanctioned by the Central Government, or as the case may be, the order has been made.

(11) Nothing in this section shall be deemed to prevent the amalgamation with an insurer by a single scheme of several insurers.

(12) The provisions of this section and of any scheme made under it shall have effect notwithstanding anything to the contrary contained in any other provisions of this Act or in any other law or any agreement, award or other instrument for the time being in force.

(13) The provisions of section 37 shall not apply to an amalgamation given effect to under the provisions of this section.]

Assignment or transfer of policies and nominations

[38. Assignment and transfer of insurance policies. - (1) A transfer or assignment of a policy of insurance, wholly or in part, whether with or without consideration, may be made only by an endorsement upon the policy itself or by a separate instrument, signed in either case by the transferor or by the assignor or his duly authorised agent and attested by at least one witness, specifically setting forth the fact of transfer or assignment and the reasons thereof, the antecedents of the assignee and the terms on which the assignment is made.

(2) An insurer may, accept the transfer or assignment, or decline to act upon any endorsement made under sub-section (1), where it has sufficient reason to believe that such transfer or assignment is not *bona fide* or is not in the interest of the policyholder or in public interest or is for the purpose of trading of insurance policy.

(3) The insurer shall, before refusing to act upon the endorsement, record in writing the reasons for such refusal and communicate the same to the policyholder not later than thirty days from the date of the policyholder giving notice of such transfer or assignment.

(4) Any person aggrieved by the decision of an insurer to decline to act upon such transfer or assignment may within a period of thirty days from the date of receipt of the communication from the insurer containing reasons for such refusal, prefer a claim to the Authority.

(5) Subject to the provisions in sub-section (2), the transfer or assignment shall be complete and effectual upon the execution of such endorsement or instrument duly attested but except, where the transfer or assignment is in favour of the insurer, shall not be operative as against an insurer, and shall not confer upon the transferee or assignee, or his legal representative, any right to sue for the amount of such policy or the moneys secured thereby until a notice in writing of the transfer or assignment and either the said endorsement or instrument itself or a copy thereof certified to be correct by both transferor and transferee or their duly authorised agents have been delivered to the insurer:

Provided that where the insurer maintains one or more places of business in India, such notice shall be delivered only at the place where the policy is being serviced.

(6) The date on which the notice referred to in sub-section (5) is delivered to the insurer shall regulate the priority of all claims under a transfer or assignment as between persons interested in the policy; and where there is more than one instrument of transfer or assignment the priority of the claims under such instruments shall be governed by the order in which the notices referred to in sub-section (5) are delivered:

Provided that if any dispute as to priority of payment arises as between assignees, the dispute shall be referred to the Authority.

(7) Upon the receipt of the notice referred to in sub-section (5), the insurer shall record the fact of such transfer or assignment together with the date thereof and the name of the transferee or the assignee and shall, on the request of the person by whom the notice was given, or of the transferee or assignee, on payment of such fee as may be specified by the regulations, grant a written acknowledgement of the receipt of such notice; and any such acknowledgement shall be conclusive evidence against the insurer that he has duly received the notice to which such acknowledgement relates.

(8) Subject to the terms and conditions of the transfer or assignment, the insurer shall, from the date of the receipt of the notice referred to in sub-section (5), recognise the transferee or assignee named in the notice as the absolute transferee or assignee entitled to benefit under the policy, and such person shall be subject to all liabilities and equities to which the transferor or assignor was subject at the date of the transfer or assignment and may institute any proceedings in relation to the policy, obtain a loan under the policy or surrender the policy without obtaining the consent of the transferor or assignor or making him a party to such proceedings.

Explanation. - Except where the endorsement referred to in sub-section (1) expressly indicates that the assignment or transfer is conditional in terms of subsection (10) hereunder, every assignment or transfer shall be deemed to be an absolute assignment or transfer and the assignee or transferee, as the case may be, shall be deemed to be the absolute assignee or transferee respectively.

(9) Any rights and remedies of an assignee or transferee of a policy of life insurance under an assignment or transfer effected prior to the commencement of the Insurance Laws (Amendment) Act, 2015 shall not be affected by the provisions of this section.

(10) Notwithstanding any law or custom having the force of law to the contrary, an assignment in favour of a person made upon the condition that-

- (a) the proceeds under the policy shall become payable to the policyholder or the nominee or nominees in the event of either the assignee or transferee predeceasing the insured; or
- (b) the insured surviving the term of the policy, shall be valid:

Provided that a conditional assignee shall not be entitled to obtain a loan on the policy or surrender a policy.

(11) In the case of the partial assignment or transfer of a policy of insurance under sub-section (1), the liability of the insurer shall be limited to the amount secured by partial assignment or transfer and such policyholder shall not be entitled to further assign or transfer the residual amount payable under the same policy.

39. Nomination by policyholder. - (1) The holder of a policy of life insurance on his own life may, when effecting the policy or at any time before the policy matures for payment, nominate the person or persons to whom the money secured by the policy shall be paid in the event of his death:

Provided that, where any nominee is a minor, it shall be lawful for the policyholder to appoint any person in the manner laid down by the insurer, to receive the money secured by the policy in the event of his death during the minority of the nominee.

(2) Any such nomination in order to be effectual shall, unless it is incorporated in the text of the policy itself, be made by an endorsement on the policy communicated to the insurer and registered by him in the records relating to the policy and any such nomination may at any time before the policy matures for payment be cancelled or changed by an endorsement or a further endorsement or a will, as the case may be, but unless notice in writing of any such cancellation or change has been delivered to the insurer, the insurer shall not be liable for any payment under the policy made *bona fide* by him to a nominee mentioned in the text of the policy or registered in records of the insurer.

(3) The insurer shall furnish to the policyholder a written acknowledgement of having registered a nomination or a cancellation or change thereof, and may charge such fee as may be specified by regulations for registering such cancellation or change.

(4) A transfer or assignment of a policy made in accordance with section 38 shall automatically cancel a nomination:

Provided that the assignment of a policy to the insurer who bears the risk on the policy at the time of the assignment, in consideration of a loan granted by that insurer on the security of the policy within its surrender value, or its reassignment on repayment of the loan shall not cancel a nomination, but shall affect the rights of the nominee only to the extent of the insurer's interest in the policy:

Provided further that the transfer or assignment of a policy, whether wholly or in part, in consideration of a loan advanced by the transferee or assignee to the policyholder, shall not cancel the nomination but shall affect the rights of the nominee only to the extent of the interest of the transferee or assignee, as the case may be, in the policy:

Provided also that the nomination, which has been automatically cancelled consequent upon the transfer or assignment, the same nomination shall stand automatically revived when the policy is reassigned by the assignee or

retransferred by the transferee in favour of the policyholder on repayment of loan other than on a security of policy to the insurer.

(5) Where the policy matures for payment during the lifetime of the person whose life is insured or where the nominee or, if there are more nominees than one, all the nominees die before the policy matures for payment, the amount secured by the policy shall be payable to the policyholder or his heirs or legal representatives or the holder of a succession certificate, as the case may be.

(6) Where the nominee or if there are more nominees than one, a nominee or nominees survive the person whose life is insured, the amount secured by the policy shall be payable to such survivor or survivors.

(7) Subject to the other provisions of this section, where the holder of a policy of insurance on his own life nominates his parents, or his spouse, or his children, or his spouse and children, or any of them, the nominee or nominees shall be beneficially entitled to the amount payable by the insurer to him or them under sub-section (6) unless it is proved that the holder of the policy, having regard to the nature of his title to the policy, could not have conferred any such beneficial title on the nominee.

(8) Subject as aforesaid, where the nominee, or if there are more nominees than one, a nominee or nominees, to whom sub-section (7) applies, die after the person whose life is insured but before the amount secured by the policy is paid, the amount secured by the policy, or so much of the amount secured by the policy as represents the share of the nominee or nominees so dying (as the case may be), shall be payable to the heirs or legal representatives of the nominee or nominees or the holder of a succession certificate, as the case may be, and they shall be beneficially entitled to such amount.

(9) Nothing in sub-sections (7) and (8) shall operate to destroy or impede the right of any creditor to be paid out of the proceeds of any policy of life insurance.

(10) The provisions of sub-sections (7) and (8) shall apply to all policies of life insurance maturing for payment after the commencement of the Insurance Laws (Amendment) Act, 2015.

(11) Where a policyholder dies after the maturity of the policy but the proceeds and benefit of his policy has not been made to him because of his death, in such a case, his nominee shall be entitled to the proceeds and benefit of his policy.

(12) The provisions of this section shall not apply to any policy of life insurance to which section 6 of the Married Women's Property Act, 1874, applies or has at any time applied:

Provided that where a nomination made whether before or after the commencement of the Insurance Laws (Amendment) Act, 2015, in favour of the wife of the person who has insured his life or of his wife and children or any of them is expressed, whether or not on the face of the policy, as being

made under this section, the said section 6 shall be deemed not to apply or not to have applied to the policy.

40. Prohibition of payment by way of commission or otherwise for procuring business. - (1) No person shall, pay or contract to pay any remuneration or reward, whether by way of commission or otherwise for soliciting or procuring insurance business in India to any person except an insurance agent or an intermediary or insurance intermediary in such manner as may be specified by the regulations.

(2) No insurance agent or intermediary or insurance intermediary shall receive or contract to receive commission or remuneration in any form in respect of policies issued in India, by an insurer in any form in respect of policies issued in India, by an insurer except in accordance with the regulations specified in this regard:

Provided that the Authority, while making regulations under sub-sections (1) and (2), shall take into consideration the nature and tenure of the policy and in particular the interest of the agents and other intermediaries concerned.

(3) Without prejudice to the provisions of section 102 in respect of a contravention of any of the provisions of the preceding sub-sections or the regulations framed in this regard, by an insurer, any insurance agent or intermediary or insurance intermediary who contravenes the said provisions shall be liable to a penalty which may extend to one lakh rupees.]

40A.[* * *]

[40B. Limitation of expenses of management in life insurance business. - No insurer shall, in respect of insurance business transacted by him in India, spend as expenses of management in any financial year any amount exceeding the amount as may be specified by the regulations made under this Act;

40C. Limitation of expenses of management in general, health insurance and re-insurance business. - Every insurer transacting insurance business in India shall furnish to the Authority, the details of expenses of management in such manner and form as may be specified by the regulations made under this Act.]

41. Prohibition of rebates. - (1) No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to [take out or renew or continue] an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing [or continuing] a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer:

[Provided that acceptance by an insurance agent of commission in connection with a policy of life insurance taken out by himself on his own life shall not be deemed to be acceptance of a rebate of premium within the meaning of this sub-section if at the time of such acceptance the insurance

agent satisfies the prescribed conditions establishing that he is a *bona fide* insurance agent employed by the insurer.]

[(2) Any person making default in complying with the provisions of this section shall be liable for a penalty which may extend to ten lakh rupees.]

[42. Appointment of insurance agents. - (1) An insurer may appoint any person to act as insurance agent for the purpose of soliciting and procuring insurance business:

Provided that such person does not suffer from any of the disqualifications mentioned in sub-section (3).

(2) No person shall act as an insurance agent for more than one life insurer, one general insurer, one health insurer and one of each of the other mono-line insurers:

Provided that the Authority shall, while framing regulations, ensure that no conflict of interest is allowed to arise for any agent in representing two or more insurers for whom he may be an agent.

(3) The disqualifications referred to in the proviso to sub-section (1) shall be the following:-

(a) that the person is a minor;

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

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

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

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

(e) that in the case of an individual, who does not possess the requisite qualifications or practical training or passed the examination, as may be specified by the regulations;

(f) that in the case of a company or firm making, 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 or practical training and have not passed such an examination as required under clauses (e) and (g);

(g) that he has not passed such examination as may be specified by the regulations;

(h) that he has violated the code of conduct as may be specified by the regulations.

(4) Any person who acts as an insurance agent in contravention of the provision of this Act, 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, who appoints any person as an insurance agent not permitted to act as such or transacts any insurance business in India through any such person shall be liable to penalty which may extend to one crore rupees.

(5) The insurer shall be responsible for all the acts and omissions of its agents including violation of code of conduct specified under clause (h) of sub-section (3) and liable to a penalty which may extend to one crore rupees.]

[42A. Prohibition of insurance business through principal agent, special agent and multilevel marketing. - (1) 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.

(2) No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance policy through multilevel marketing scheme.

(3) The Authority may, through an officer authorised in this behalf, make a complaint to the appropriate police authorities against the entity or persons involved in the multilevel marketing scheme

Explanation. - For the purpose of this section "multilevel marketing scheme" means any scheme or programme or arrangement or plan (by whatever name called) for the purpose of soliciting and procuring insurance business through persons not authorised for the said purpose with or without consideration of whole or part of commission or remuneration earned through such solicitation and procurement and includes enrolment of persons into a multilevel chain for the said purpose either directly or indirectly.]

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

Provided that,-

- (a) in the case of an individual, he does not suffer from any of the disqualifications mentioned in [sub-section (3)] of section 42, or
- (b) in the case of a company or firm, any of its directors or partners does not suffer from any of the said disqualifications.

(2) A [registration made] under this section shall entitle the holder thereof to act as an intermediary or insurance intermediary.

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

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

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

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

- (a) that the person is a minor;
- (b) that he is found to be of unsound mind by a Court of competent jurisdiction;
- (c) that he has been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or an abetment of or attempt to commit any such offence by a Court of competent jurisdiction:

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

- (d) that in the course of any judicial proceeding relating to any policy of insurance of the winding up of an insurance company or in the course of an investigation of the affairs of an insurer it has been found that he

has been guilty of or has knowingly participated in or connived at any fraud dishonestly or misrepresentation against an insurer or an insured;

- (e) that he does not possess the requisite qualifications and practical training for a period not exceeding twelve months, as may be specified by the regulations made by the Authority in this behalf;
- (f) that he has not passed such examinations as may be specified by the regulations made by the Authority in this behalf;
- (g) that he violates the code of conduct as may be specified by the regulations made by the Authority.

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

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

[(8) Any person who acts as an intermediary or an insurance intermediary without being registered under this section to act as such, shall be liable to a penalty which may extend to ten lakh rupees and any person who appoints as an intermediary or an insurance intermediary or any person not registered to act as such or transacts any insurance business in India through any such person, shall be liable to a penalty which may extend to one crore rupees.

(9) Where the person contravening sub-section (8) is a company or a firm, then, without prejudice to any other proceedings which may be taken against the company or firm, every director, manager, secretary or other officer of the company, and every partner of the firm who is knowingly a party to such contravention shall be liable to a penalty which may extend to ten lakh rupees.]

[42E. Condition for intermediary or insurance intermediary. - Without prejudice to the provisions contained in this Act, the Authority may, by regulations made in this behalf, specify the requirements of capital, form of business and other conditions, to act as an intermediary or an insurance intermediary.]

[43. Record of insurance agents. - (1) Every insurer and every person who, acting on behalf of an insurer employs insurance agents shall maintain a record 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.

(2) The record prepared by the insurer under sub-section (1), shall be maintained as long as the insurance agent is in service and for a period of five years after the cessation of appointment.]

44.[* * *]

[44A. Power to call for information. - For the purposes of ensuring compliance with the provisions of sections 40, 40B and 40C, the Authority may, by notice-

- (a) require from an insurer such information, certified if so required by an auditor or actuary, as it may consider necessary;
- (b) require an insurer to submit for its examination at the principal place of business of the insurer in India, any books of account, register or other document, or to supply any statement which may be specified in the notice;
- (c) examine any officer of an insurer on oath, in relation to any such information, book, register, document or statement and the insurer, shall comply with any such requirement within such time as may be specified in the notice.]

Special provisions of law

[45. Policy not be called in question on ground of misstatement after three years. - (1) No policy of life insurance shall be called in question on any ground whatsoever after the expiry of three years from the date of the policy, i.e., from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later.

(2) A policy of life insurance may be called in question at any time within three years from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later, on the ground of fraud:

Provided that the insurer shall have to communicate in writing to the insured or the legal representatives or nominees or assignees of the insured the grounds and materials on which such decision is based.

Explanation I. - For the purposes of this sub-section, the expression "fraud" means any of the following acts committed by the insured or by his agent, with intent to deceive the insurer or to induce the insurer to issue a life insurance policy:-

- (a) the suggestion, as a fact of that which is not true and which the insured does not believe to be true;
- (b) the active concealment of a fact by the insured having knowledge or belief of the fact;
- (c) any other act fitted to deceive; and

(d) any such act or omission as the law specially declares to be fraudulent.

Explanation II. - Mere silence as to facts likely to affect the assessment of the risk by the insurer is not fraud, unless the circumstances of the case are such that regard being had to them, it is the duty of the insured or his agent keeping silence, to speak, or unless his silence is, in itself, equivalent to speak.

(3) Notwithstanding anything contained in sub-section (2), no insurer shall repudiate a life insurance policy on the ground of fraud if the insured can prove that the misstatement of or suppression of a material fact was true to the best of his knowledge and belief or that there was no deliberate intention to suppress the fact or that such misstatement of or suppression of a material fact are within the knowledge of the insurer:

Provided that in case of fraud, the onus of disproving lies upon the beneficiaries, in case the policyholder is not alive.

Explanation. - A person who solicits and negotiates a contract of insurance shall be deemed for the purpose of the formation of the contract, to be the agent of the insurer.

(4) A policy of life insurance may be called in question at any time within three years from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later, on the ground that any statement of or suppression of a fact material to the expectancy of the life of the insured was incorrectly made in the proposal or other document on the basis of which the policy was issued or revived or rider issued:

Provided that the insurer shall have to communicate in writing to the insured or the legal representatives or nominees or assignees of the insured the grounds and materials on which such decision to repudiate the policy of life insurance is based:

Provided further that in case of repudiation of the policy on the ground of misstatement or suppression of a material fact, and not on the ground of fraud, the premiums collected on the policy till the date of repudiation shall be paid to the insured or the legal representatives or nominees or assignees of the insured within a period of ninety days from the date of such repudiation.

Explanation. - For the purposes of this sub-section, the misstatement of or suppression of fact shall not be considered material unless it has a direct bearing on the risk undertaken by the insurer, the onus is on the insurer to show that had the insurer been aware of the said fact no life insurance policy would have been issued to the insured.

(5) Nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on

subsequent proof that the age of the life insured was incorrectly stated in the proposal.]

46. Application of the law in force in India to policies issued in India. - The holder of a policy of insurance issued by an insurer in respect of insurance business transacted in [India] after the commencement of this Act shall have the right, notwithstanding anything to the contrary contained in the policy or in any agreement relating thereto, to receive payment in [India], of any sum secured thereby and to sue for any relief in respect of the policy in any Court of competent jurisdiction in [India]; and if the suit is brought in [India] any question of law arising in connection with any such policy shall be determined according to the law in force in [India]:
[Provided that nothing in this section shall apply to a policy of marine insurance.]

47. Payment of money into Court. - (1) Where in respect of any policy of life insurance maturing for payment an insurer is of opinion that by reason of conflicting claims to or insufficiency of proof of title to the amount secured thereby or for any other adequate reason it is impossible otherwise for the insurer to obtain a satisfactory discharge for the payment of such amount, [the insurer may], [* * *] apply to pay the amount into the Court within the jurisdiction of which is situated the place at which such amount is payable under the terms of the policy or otherwise.

(2) A receipt granted by the Court for any such payment shall be a satisfactory discharge to the insurer for the payment of such amount.

(3) An application for permission to make a payment into Court under this section shall be made by a petition verified by an affidavit signed by a principal officer of the insurer setting forth the following particulars, namely:-

- (a) the name of the insured person and his address;
- (b) if the insured person is deceased, the date and place of his death;
- (c) the nature of the policy and the amount secured by it;
- (d) the name and address of each claimant so far as is known to the insurer with details of every notice of claim received;
- (e) the reasons why in the opinion of the insurer a satisfactory discharge cannot be obtained for the payment of the amount; and
- (f) the address at which the insurer may be served with notice of any proceeding relating to disposal of the amount paid into Court.

(4) An application under this section shall not be entertained by the Court if the application is made before the expiry of six months [from the maturing of the policy by survival, or from the date of receipt of notice by the insurer of the death of the insured, as the case may be.]

(5) If it appears to the Court that a satisfactory discharge for the payment of the amount cannot otherwise be obtained by the insurer it shall allow the

amount to be paid into Court and shall invest the amount in Government securities pending its disposal.

(6) The insurer shall transmit to the Court every notice of claim received after the making of the application under sub-section (3), and any payment required by the Court as costs of the proceedings or otherwise in connection with the disposal of the amount paid into Court shall as to the costs of the application under sub-section (3) be borne by the insurer and as to any other costs be in the discretion of the Court.

(7) The Court shall cause notice to be given to every ascertained claimant of the fact that the amount has been paid into Court, and shall cause notice at the cost of any claimant applying to withdraw the amount to be given to every other ascertained claimant.

(8) The Court shall decide all questions relating to the disposal of claims to the amount paid into Court.

47A.[* * *]

48.[* * *]

[48A. Insurance agent or intermediary or insurance intermediary not to be director in insurance company. - No insurance agent or intermediary or insurance intermediary shall be eligible to be or remain a director in insurance company:

Provided that any director holding office at the commencement of the Insurance Laws (Amendment) Act, 2015 shall not become ineligible to remain a director by reason of this section until the expiry of six months from the date of commencement of the said Act:

Provided further that the Authority may permit an agent or intermediary or insurance intermediary to be on the Board of an insurance company subject to such conditions or restrictions as it may impose to protect the interest of policyholders or to avoid conflict of interest.]

[48B. Further provision regarding directors. - (1) An insurer specified in sub-clause (b) of clause 9 of section 2 and carrying on life insurance business shall not have a common director with another such insurer.

(2) The] [Authority][may, for such period, to such extent and subject to such conditions as it may specify, exempt from the operation of the section-

(a) any insurer, who is a subsidiary company of another insurer, or

(b) two or more insurers, for the purpose of facilitating their amalgamation or the transfer of business of one insurer to the other.]

48C. Appointment of additional directors. - [*Repealed by the Insurance (Amendment) Act, 1968 (62 of 1968), section 21 (w.e.f. 1-6-1969).*]

[49. Restriction on dividends and bonuses. -][(1)][No insurer, [* * *], who carries on the business of life insurance or any other class or sub-class of insurance business to which section 13 applies, shall, for the purpose of declaring or paying any dividend to shareholders or any bonus to policy-

holders or of making any payment in service of any debentures, utilize directly or indirectly any portion of the life insurance fund or of the fund of such other class or sub-class of insurance business, as the case may be, except a surplus shown in the valuation] [balance-sheet in such form as may be specified by the regulations made by the Authority] [submitted to the] [Authority] [as part of the abstract referred to in section 15 as a result of an actuarial valuation of the assets and liabilities of the insurer; nor shall he increase such surplus by contributions out of any reserve fund or otherwise unless such contributions have been brought in as revenue through the revenue account applicable to that class or sub-class of insurance business on or before the date of the valuation aforesaid, except when the reserve fund is made up solely of transfers from similar surpluses disclosed by valuations in respect of which returns have been submitted to the] [Authority] [under section 15 of this Act [* * *]:

Provided that payments made out of any such surplus in service of any debentures shall not exceed fifty per cent. of such surplus including any payment by way of interest on the debentures, and interest paid on the debentures shall not exceed ten per cent. of any such surplus except when the interest paid on the debentures is offset against the interest credited to the fund or funds concerned in deciding the interest basis adopted in the valuation disclosing the aforesaid surplus:]

[Provided further that the share of any such surplus allocated to or reserved for the shareholders (including any amount for the payment of dividends guaranteed to them, whether by way of first charge or otherwise), shall not exceed such sums as may be specified by the Authority and such share shall in no case exceed ten per cent. of such surplus in case of participating policies and in other cases the whole thereof.]

[(2) For the purposes of sub-section (1), the actual amount of income-tax deducted at source during the period following the date as at which the last preceding valuation was made and preceding the date as at which the valuation in question is made may be added to such surplus after deducting an estimated amount for income-tax on such surplus, such addition and deduction being shown in] [an abstract of the report of the actuary referred to in sub-section (1) of section 13].]

50. Notice of options available to the assured on the lapsing of a policy. - An insurer shall, [before the expiry of three months from the date on which the premiums in respect of a policy of life insurance were payable but not paid,] give notice to the policy-holder informing him of the options available to him [unless these are set forth in the policy.]

51. Supply of copies of proposals and medical reports. - Every insurer shall, on application by a policy-holder and on payment of a fee not exceeding one rupee, supply to the policy-holder certified copies of the question put to him and his answers thereto contained in his proposal for insurance and in the medical report supplied in connection therewith.

[52. Prohibition of business on dividing principle. - No insurer shall commence any business upon the dividing principle, that is to say, on the principle that the benefit secured by a policy is not fixed but depends either wholly or partly on the result of a distribution of certain sums amongst policies becoming claims within certain time-limits, or on the principle that the premiums payable by a policyholder depend wholly or partly on the number of policies becoming claims within certain time-limits: Provided that nothing in this section shall be deemed to prevent an insurer from allocating bonuses to holders of policies of life insurance as a result of a periodical actuarial valuation either as reversionary additions to the sums insured or as immediate cash bonuses or otherwise.]

[Management by Administrator]

[52A. When Administrator for management of insurance business may be appointed. - (1) If at any time the Authority has reason to believe that an insurer carrying on life insurance business is acting in a manner likely to be prejudicial to the interests of holders of life insurance policies, it may, after giving such opportunity to the insurer to be heard appoint an Administrator to manage the affairs of the insurer under the direction and control of the Authority.

(2) The Administrator shall receive such remuneration as the Authority may direct and the Authority may at any time cancel the appointment and appoint some other person as Administrator.]

52B. Powers and duties of the Administrator. - (1) The Administrator shall conduct the management of the business of the insurer with the greatest economy compatible with efficiency and shall, as soon as may be possible, file with the [Authority] a report stating which of the following courses is in the circumstances most advantageous to the general interests of the holders of life insurance policies, namely:-

- (a) the transfer of the business of the insurer to some other insurer;
- (b) the carrying on of its business by the insurer (whether with the policies of the business continued for the original sum insured with the addition of bonuses that attach to the policies or for reduced amounts);
- (c) the winding up of the insurer; and
- (d) such other course as he deems advisable.

(2) On the filing of the report with the [Authority], the [Authority] may take such action as [it] thinks fit for promoting the interests of the holders of life insurance policies in general.

(3) Any order passed by the [Authority] under sub-section (2) shall be binding on all persons concerned, and shall have effect notwithstanding anything in the memorandum or articles of association of the insurer, of a company.

[52BB. Powers of Administrator respecting property liable to attachment under section 106. - (1) If the Administrator is satisfied that any person has rendered himself liable to be proceeded against under section 106, he may, pending the institution of proceedings against such person under that section, by order in writing, prohibit him or any other person from transferring or otherwise disposing of any property which, in the opinion of the Administrator, would be liable to attachment in proceedings under that section.

(2) Any person aggrieved by an order made by the Administrator under sub-section (1) may, within fourteen days from the date on which the order is served on him, appeal against such order to [the Securities Appellate Tribunal and the Securities Appellate Tribunal] may pass such order thereon as it thinks fit.

(3) An order made by the Administrator under sub-section (1) shall, subject to any other order made by the [Securities Appellate Tribunal] on appeal, be in force for a period of three months from the date of the order unless, before the expiry of the said period, an application is made under sub-section (1) of section 106 to the Court competent to exercise jurisdiction under that sub-section, and when such an application is made, the order shall, subject to any order made by that Court, continue in force as if it were an order of attachment made by that Court in proceedings under that section.

(4) An order made by the Administrator under this section shall,-

(a) in the case of an order affecting a corporation or firm, be served in the manner provided for the service of summons in rule 2 of Order XXIX or rule 3 of Order XXX, as the case may be, in the First Schedule to the Code of Civil Procedure, 1908, and

(b) in the case of an order affecting a person not being a corporation or firm, be served on such person-

(i) personally, by delivering or tendering to him the order, or

(ii) by post, or

(iii) where the person cannot be found, by leaving a copy of the order with some adult male member of his family or by affixing such copy to some conspicuous part of the premises in which he is known to have last resided or carried on business or personally worked for gain, and every such order shall also be published in the Official Gazette.

(5) If any question arises whether a person was duly served with an order under sub-section (4), the publication of the order in the Official Gazette shall be conclusive proof that the order was so served, and a failure to comply with the provisions of clause (a) or clause (b) of sub-section (4) shall not affect the validity of the order.

(6) Notwithstanding anything contained in this section, any property in respect of which an order has been made by the Administrator may, with the previous permission of the Administrator and subject to such terms and conditions as he may impose, be transferred or otherwise disposed of.

(7) Notwithstanding anything contained in any other law for the time being in force, the transfer or other disposition of any property in contravention of any order made by the Administrator under this section or of any terms and conditions imposed by him shall be void.

(8) For the purpose of enabling him to form an opinion as to whether any property would be liable to attachment in proceedings under section 106 or for the purpose of enabling him to institute proceedings under that section, the Administrator may require any person to furnish information on such points or matters as, in the opinion of the Administrator, may be relevant for the purpose, and any person so required shall be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code (45 of 1860).

(9) The Administrator shall have all the powers of a Civil Court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit in respect of the following matters, namely:-

- (a) summoning and enforcing the attendance of witnesses and examining them on oath;
- (b) requiring the production of documents; and
- (c) receiving evidence on affidavits;

and any proceeding before the Administrator under this section shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code.

(10) Save as provided in this section or in section 106, and notwithstanding anything contained in any other law for the time being in force,-

- (a) no suit or other legal proceeding shall lie in any Court to set aside or modify any order of the Administrator [* * *] made under this section, and
- (b) no Court shall pass any decree, grant any injunction or make any other order which shall have the effect of nullifying or affecting in any way any such order.]

52C. Cancellation of contracts and agreements. - The Administrator may, at any time during the continuance of his appointment with respect to an insurer and after giving an opportunity to the persons concerned to be heard, cancel or vary (either unconditionally or subject to such conditions as he thinks fit to impose) any contract or agreement (other than a policy) between the insurer and any other person which the Administrator is satisfied is prejudicial to the interests of holders of life insurance policies.

[52D. Termination of appointment of Administrator. - If at any time, it appears to the Authority that the purpose of the order appointing the Administrator has been fulfilled or that, for any reason, it is undesirable that the order of appointment should remain in force, the Authority may cancel the order and thereupon the Administrator shall be divested of the management of the insurance business which shall, unless otherwise directed by the Authority, again vest in the person in whom it was vested immediately prior to the appointment of the Administrator or any other person appointed by the insurer in this behalf.]

52E. Finality of decision appointing Administrator. - Any order or decision of the [Authority] made in pursuance of section 52-A or section 52-D shall be final and shall not be called in question in any Court.

52F. Penalty for withholding documents or property from Administrator. - If any director or officer of the insurer or any other person fails to deliver to the Administrator any books of account, registers or any other documents in his custody relating to the business of the insurer the management of which has vested in the Administrator, or retains any property of such insurer, he shall be [liable to penalty of rupees ten thousand each day during which such failure continues or rupees ten lakh, whichever is less].

52G. Protection of action taken under sections 52-A to 52-D. - (1) No suit, prosecution or other legal proceeding shall lie against an Administrator for anything which is in good faith done or intended to be done in pursuance of [section 52-A, section 52-B, section 52-BB or section 52-C].

(2) No suit or other legal proceeding shall lie against the [* * *] the [Authority] for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under section 52-A, section 52-B, or section 52-D.

[*Acquisition of the undertakings of insurers in certain cases*]

52H to 52N.[* * *]

OLD LAW ▼

52H. Power of Central Government to acquire undertakings of insurers in certain cases. - (1) If, upon receipt of a report from the [Authority], the Central Government is satisfied that an insurer,-

- (a) has persistently failed to comply with-
 - (i) any direction given to him under section 34, section 34-F or section 34-G, or
 - (ii) any order made under section 34-E; or
- (b) is being managed in a manner detrimental to the public interest or to the interests of his policy-holders, or shareholders, and that-
 - (i) in the public interest, or
 - (ii) in the interests of the policy-holders or shareholders of such

insurer, it is necessary to acquire the undertaking of such insurer, the Central Government may, by notified order, acquire the undertaking of such insurer (hereafter in this section and in sections 52-I, 52-J and 52-N and in the Eighth Schedule referred to as the acquired insurer) with effect from such date as may be specified in the order (hereafter in this section and in sections 52-I and 52-J and in the Eighth Schedule referred to as the appointed day):

Provided that no undertaking of an insurer shall be so acquired unless such insurer has been given a reasonable opportunity of showing cause against the proposed action.

Explanation.-For the purposes of this section and of sections 52-I to 52-N-

(a) "notified order" means an order published in the Official Gazette,

(b) "undertaking", in relation to an insurer incorporated outside India, means the undertaking of the insurer in India.

(2) Subject to the other provisions contained in this section and in sections 52-I to 52-M, on the appointed day, all the assets and liabilities of the undertaking of the acquired insurer shall stand transferred to, and vest in, the Central Government.

(3) The assets and liabilities of the undertaking of the acquired insurer shall be deemed to include all rights, powers, authorities and privileges and all property, whether movable or immovable, including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in, or arising out of, such property, as may be in the possession of, or held by, the acquired insurer immediately before the appointed day and all books, accounts and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations, of whatever kind, then existing of the acquired insurer.

(4) Notwithstanding anything contained in sub-section (2), the Central Government may, if it is satisfied that all the assets and liabilities of the undertaking of the acquired insurer should, instead of vesting in the Central Government, or continuing to so vest, vest in a corporation or company, whether established under the scheme made under section 52-I or not (hereafter in this section and in sections 52-I to 52-N and in the Eighth Schedule referred to as the acquiring insurer), by order, direct that the assets and liabilities of the said undertaking, shall vest in the acquiring insurer, either on the publication of the notified order or on such other date as may be specified in this behalf in the direction.

(5) Where the undertaking of the acquired insurer vests in an acquiring insurer under sub-section (4), the acquiring insurer shall, on and from the date of such vesting, be deemed to have become the transferee of the acquired insurer and all the rights and liabilities in relation to the acquired insurer shall, on and from the date of such vesting, be deemed to have

been the rights and liabilities of such acquiring insurer.

(6) Unless otherwise expressly provided by or under this section or sections 52-I to 52-M, all contracts, deeds, bonds, agreements, powers-of-attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed day and to which the acquired insurer is a party or which are in favour of the acquired insurer shall be of as full force and effect against or in favour of, the Central Government or, as the case may be, the acquiring insurer, and may be enforced or acted upon as fully and effectually as if in the place of the acquired insurer the Central Government or the acquiring insurer had been a party thereto or as if they had been issued in favour of the Central Government or the acquiring insurer, as the case may be.

(7) If, on the appointed day, any suit, appeal or other proceeding, of whatever nature, is pending by or against the acquired insurer, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the undertaking of the acquired insurer or of anything contained in this section or in sections 52-I to 52-M, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Central Government or the acquiring insurer, as the case may be.

52I. Power of Central Government to make scheme. - (1) The Central Government may make a scheme for carrying out the purposes of sections 52-H and 52-J to 52-M (both inclusive) in relation to be acquired insurer.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:-

- (a) transfer of the undertaking, including the property, assets and liabilities of the acquired insurer to an acquiring insurer, and the capital, constitution, name and office of the acquiring insurer;
- (b) the constitution of the first Board of management (by whatever name called) of the acquiring insurer and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;
- (c) the continuance of the services of all the employees of the acquired insurer (excepting such of them as, not being workmen within the meaning of the Industrial Disputes Act, 1947, are specifically mentioned in the scheme) in the Central Government or in the acquiring insurer, as the case may be, on the same terms and conditions, so far as may be, as are specified in clauses (i) and (j) of sub-section (2) of section 37-A so far as they may apply;
- (d) the continuance of the rights of any person who, on the appointed day, is entitled to, or is in receipt of, a pension or other

superannuation or compassionate allowance or benefit from the acquired insurer or any provident, pension or other fund or any authority administering such fund to be paid by, and to receive from the Central Government or the acquiring insurer, as the case may be, or any provident, pension or other fund or any authority administering such fund, the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final;

- (e) the manner of payment to the acquired insurer in full satisfaction of his claim in relation to the compensation payable in accordance with the provisions of section 52-J;
- (f) the provision, if any, for completing the effectual transfer to the Central Government or the acquiring insurer of any asset or liability which forms part of the undertaking of the acquired insurer in any country outside India;
- (g) such incidental, consequential and supplemental matters as may be necessary to secure that the transfer of the undertaking, property, assets and liabilities of the acquired insurer to the Central Government or the acquiring insurer, as the case may be, is effectual and complete.

(3) The Central Government may, by notification in the Official Gazette, add to, amend or vary any scheme made under this section.

(4) Every scheme made under this section shall be published in the Official Gazette.

(5) Copies of every scheme made under this section shall be laid before each House of Parliament as soon as may be after it is made.

(6) The provisions of sections 52-H and 52-J to 52-M and of any scheme made under this section shall have effect notwithstanding anything to the contrary contained in any other provision of this Act or in any other law or any agreement, award or other instrument for the time being in force.

52J. Compensation to be given to the acquired insurer. - (1) The acquired insurer shall be given by the Central Government or the acquiring insurer, as the case may be, such compensation in respect of the transfer of the undertaking of the acquired insurer as is determined in accordance with the principles contained in the Eighth Schedule.

(2) The amount of compensation to be given in accordance with the principles contained in the Eighth Schedule shall be determined, in the first instance, by the Central Government or the acquiring insurer, as the case may be, in consultation with the [Authority], and shall be offered by it to

the acquired insurer, in full satisfaction thereof.

(3) If the amount of compensation offered in terms of sub-section (2) is not acceptable to the acquired insurer, he may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government in writing to have the matter referred to the Tribunal constituted under section 52-K.

(4) If before the date notified under sub-section (3) the Central Government does not receive request as provided in that sub-section, the amount of compensation offered under sub-section (2), or where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all the parties concerned.

(5) Where the Central Government does not receive request as provided in sub-section (3), the compensation payable in pursuance of the provisions of this section shall become due for payment on the expiry of one year from the appointed day, and where a reference has been made to the Tribunal under sub-section (3), the amount determined by the Tribunal as compensation shall become due for payment on the expiry of one year from the appointed day or on the date of decision of the Tribunal, whichever is earlier.

(6) If between the appointed day and the date on which the compensation becomes due in pursuance of sub-section (5), any facts come to light which call for revision of the amount of the compensation, the necessary modification of the amount of the compensation shall be made and the amount of the compensation so determined shall be the compensation payable in pursuance of sub-section (1).

(7) There shall also be paid simple interest at the rate of three per cent. per annum on the amount of the compensation for the period from the appointed day to the date on which payment of the compensation becomes due.

52K. Constitution of the Tribunal. - (1) The Central Government may, for the purposes of sections 52-H to 52-J, constitute a Tribunal which shall consist of a Chairman and two other members.

(2) The Chairman shall be a person who is, or has been, a Judge of a High Court or of the Supreme Court and of the two other members, one shall be a person who, in the opinion of the Central Government, has had experience of matters, connected with general insurance and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949).

(3) If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government may fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2), and any proceeding may be continued before the Tribunal so constituted from the stage at which the vacancy occurred.

(4) The Tribunal may, for the purpose of determining any compensation payable under section 52-J, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

52L. Tribunal to have powers of Civil Court. - (1) The Tribunal shall have the powers of a Civil Court, while trying a suit, under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters, namely:-

- (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavits;
- (d) issuing commissions for the examination of witnesses or documents.

(2) Notwithstanding anything contained in sub-section (1) or in any other law for the time being in force, the Tribunal shall not compel the Central Government or the [Authority]-

- (a) to produce any books of account, or other documents which the Central Government or the [Authority] claims to be of a confidential nature;
- (b) to make any such books or documents a part of the record of the proceedings before the Tribunal;
- (c) to give inspection of any such books or documents to any party before it and to any other person.

(3) Any proceeding before the Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code (45 of 1860), and the Tribunal shall be deemed to be a Civil Court for the purposes of section 195 and Chapter XXXV of the [Code of Criminal Procedure, 1898 (5 of 1898)].

52M. Procedure of the Tribunal. - (1) The Tribunal shall have power to regulate its own procedure.

(2) The Tribunal may hold the whole or any part of its inquiry *in camera* .

(3) Any clerical or arithmetical error in any order of the Tribunal or any error arising therein from any accidental slip or omission may, at any time, be corrected by the Tribunal either of its own motion or on the application of any of the parties.

52N. Special provisions for the dissolution of acquired insurers. -

Where any acquired insurer, being a company, has in accordance with the provisions of this Act, collected and distributed any monies paid to him by the Central Government or the acquiring insurer, as the case may be, by way of compensation or otherwise, and has also complied with any

directions given to him by the Central Government or the acquiring insurer, as the case may be, for the purpose of securing that the ownership of any property or any right is effectively transferred to the Central Government or the acquiring insurer, as the case may be, the Central Government may, on application being made to it in this behalf by such insurer, grant a certificate to the insurer that there is no reason for the continued existence of the insurer, and upon the publication of such certificate, the insurer shall be dissolved.

Winding up

53. Winding up by the [Tribunal]. - [(1) The Tribunal may order the winding up in accordance with [the Companies Act, 2013 (18 of 2013)] of any insurance company and the provisions of that Act shall, subject to the provisions of this Act, apply accordingly.]

[*Explanation.* - For the purpose of sections 53 to 61A, "Tribunal" means the National Company Law Tribunal constituted under sub-section (1) of section 408 of the Companies Act, 2013.]

(2) In addition to the grounds on which such an order may be based, the [Tribunal] may order the winding up of an insurance company-

(a) if with the sanction of the [Tribunal] previously obtained a petition in this behalf is presented by shareholders not less in number than one-tenth of the whole body of shareholders and holding not less than one-tenth of the whole share capital or by not less than fifty policy-holders holding policies of life insurance that have been in force for not less than three years and are of the total value of not less than fifty thousand rupees; or

(b) if the [Authority], who is hereby authorised to do so, applies in this behalf to the [Tribunal] on any of the following grounds, namely:-

[* * *]

(ii) that the company having failed to comply with any requirement of this Act has continued such failure [or having contravened any provision of this Act has continued such contravention] for a period of three months after notice of such failure [or contravention] has been conveyed to the company by the Authority,

(iii) that it appears from [any returns or statements] furnished under the provisions of this Act or from the results of any investigation made thereunder that the [company is, or is deemed to be, insolvent], or

(iv) that the continuance of the company is prejudicial to the interests of the policy-holders [or to the public interest generally].

[53A. Unpaid-up share capital. - Notwithstanding anything contained in any other law, in ascertaining for any purpose of this Act the solvency or

otherwise of an insurer, no account shall be taken of any assets of the insurer consisting of unpaid-up share capital.]

54. Voluntary winding up. - Notwithstanding anything contained in the [the Companies Act, 2013 (18 of 2013)], an insurance company shall not be wound up voluntarily except for the purpose of effecting an amalgamation or a re-construction of the company, or on the ground that by reason of its liabilities it cannot continue its business.

55. Valuation of liabilities. - (1) In the winding up of an insurance company or in the insolvency of any other insurer the value of the assets and the liabilities of the insurer shall be ascertained in such manner and upon such basis as the liquidator or receiver in insolvency thinks fit, subject, so far as applicable, to the rule contained in the [Seventh Schedule] and to any directions which may be given by the [Tribunal].

(2) For the purposes of any reduction by the [Tribunal] of the amount of the contracts of any insurance company the value of the assets and liabilities of the company and all claims in respect of policies issued by it shall be ascertained in such manner and upon such basis as the Court thinks proper having regard to the rule aforesaid.

(3) The rule in the [Seventh Schedule] shall be of the same force and may be repealed, altered or amended as if it were a rule made in pursuance of section 643 of [the Companies Act, 2013 (18 of 2013)], and rules may be made under that section for the purpose of carrying into effect the provisions of this Act with respect to the winding up of insurance companies.

56. Application of surplus assets of life insurance fund in liquidation or insolvency. - (1) In the winding up of an insurance company and in the insolvency of any other insurer the value of the assets and the liabilities of the insurer in respect of life insurance business shall be ascertained separately from the value of any other assets or any other liabilities of the insurer and no such assets shall be applied to the discharge of any liabilities other than those in respect of life insurance business except in so far as those assets exceed the liabilities in respect of life insurance business.

(2) In the winding up of an insurance company carrying on the business of life insurance or in the insolvency of any other insurer carrying on such business where any proportion of the profits of the insurer was before the commencement of the winding up or insolvency allocated to policy-holders if, when the assets and liabilities of the insurer have been ascertained, there is found to be a surplus of assets over liabilities (hereinafter referred to as a *prima facie* surplus) there shall be added to the liabilities of the insurer in respect of the life insurance business an amount equal to such proportion of the *prima facie* surplus as is equivalent to such proportion of the profits allocated to shareholders and policy-holders as was allocated to policy-holders during the ten years immediately preceding the commencement of the winding up and the assets of the insurer shall be deemed to exceed his

liabilities only in so far as those assets exceed those liabilities after such addition:

Provided that-

- (a) if in any case there has been no such allocation or if it appears to the [Tribunal] that by reason of special circumstances it would be inequitable that the amount to be added to the liabilities of the insurer in respect of the life insurance business should be an amount equal to such proportion as aforesaid, the amount to be so added shall be such amount as the [Tribunal] may direct, and
- (b) for the purpose of the application of this sub-section to any case where before the commencement of the winding up or insolvency a proportion of such profits as aforesaid of a branch only of the life insurance business in question has been allocated to policy-holders, the value of the assets and liabilities of the insurer in respect of that branch shall be separately ascertained in like manner as the value of his assets and liabilities in respect of the life insurance business was ascertained, and the surplus so found, if any, of assets over liabilities shall, for the purpose of determining the amount to be added to the liabilities of the insurer in respect of the life insurance business be deemed to be the *prima facie* surplus.

57. Winding up of secondary companies. - (1) Where the insurance business or any part of the insurance business of an insurance company has been transferred to another insurance company under an arrangement in pursuance of which the first mentioned company (in this section referred to as the secondary company) or the creditors thereof has or have claims against the company to which such transfer was made (in this section referred to as the principal company) then, if the principal company is being wound up by [* * *], the [Tribunal], shall (subject as hereinafter mentioned) order the secondary company to be wound up in conjunction with the principal company and may by the same or any subsequent order appoint the same person to be liquidator for the two companies and make provision for such other matters as may seem to the [Tribunal] necessary with a view to the companies being wound up as if they were one company.

(2) The commencement of the winding up of the principal company shall, save as otherwise ordered by the [Tribunal], be the commencement of the winding up of the secondary company.

(3) In adjusting the rights and liabilities of the members of the several companies among themselves the [Tribunal] shall have regard to the constitution of the companies and to the arrangements entered into between the companies in the same manner as the [Tribunal] has regard to the rights and liabilities of different classes of contributories in the case of winding up of a single company or as near thereto as circumstances admit.

(4) Where any company alleged to be secondary is not in process of being wound up at the same time as the principal company to which it is alleged to be secondary, the [Tribunal] shall not direct the secondary company to be wound up, unless, after hearing all objections (if any) that may be urged by or on behalf of the company against its being wound up, the [Tribunal] is of opinion that the company is secondary to the principal company and that the winding up of the company in conjunction with the principal company is just and equitable.

(5) An application may be made in relation to the winding up of any secondary company in conjunction with the principal company by any creditor of, or person interested in, the principal or secondary company.

(6) Where a company stands in the relation of a principal company to one insurance company and in the relation of a secondary company to some other insurance company or where there are several insurance companies standing in the relation of secondary companies to one principal company, the [Tribunal] may deal with any number of such companies together or in separate groups as it thinks most expedient upon the principles laid down in this section.

58. Scheme for partial winding up of insurance companies. - (1) If at any time it appears expedient that the affairs of an insurance company in respect of any class of business comprised in the undertaking of the company should be wound up but that any other class of business comprised in the undertaking should continue to be carried on by the company or be transferred to another insurer, a scheme for such purposes may be prepared and submitted for confirmation of the [Tribunal] in accordance with the provisions of this Act.

(2) Any scheme prepared under this section shall provide for the allocation and distribution of the assets and liabilities of the company between any classes of business affected (including the allocation of any surplus assets which may arise on the proposed winding up), for any future rights of every class of policy-holders in respect of their policies and for the manner of winding up any of the affairs of the company which are proposed to be wound up and may contain provisions for altering the memorandum of the company with respect to its objects and such further provisions as may be expedient for giving effect to the scheme.

(3) The provisions of this Act relating to the valuation of liabilities of insurers in liquidation and insolvency and to the application of surplus assets of the life insurance fund in liquidation or insolvency shall apply to the winding up of any part of the affairs of a company in accordance with the scheme under this section in like manner as they apply in the winding up of an insurance company, and any scheme under this section may apply with the necessary modifications any of the provisions of [the Companies Act, 2013 (18 of 2013)], relating to the winding up of companies.

[(4) An order of the Tribunal confirming a scheme under this section whereby the memorandum of a company is altered with respect to its objects shall as respects the alteration have effect as if it were an order confirmed under section 4 of the Companies Act, 2013, and the provisions of sections 7 and 17 of that Act shall apply accordingly.]

[* * *]

59. Return of deposits. - [* * *]

60. Notice of policy values. - In the winding up of an insurance company for the purposes of a cash distribution of the assets and in the insolvency of any other insurer the liquidator or assignee, as the case may be, in the case of all persons appearing by the books of the company or other insurer to be entitled to or interested in the policies granted by the company or other insurer shall ascertain the value of the liability of the company or other insurer to each such person and shall give notice of such value to those persons in such manner as the [Tribunal] may direct and any person to whom notice is so given shall be bound by the value so ascertained unless he gives notice of his intention to dispute such value in such manner and within such time as may be specified by a rule or order of the Court.

61. Power of [Tribunal] to reduce contracts of insurance. - (1) Where an insurance company is in liquidation or any other insurer is insolvent, the Court may make an order reducing the amount of the insurance contracts of the company or other insurer upon such terms and subject to such conditions as the [Tribunal] thinks just.

(2) Where a company carrying on the business of life insurance has been proved to be insolvent, the [Tribunal] may if it thinks fit in place of making a winding up order reduce the amount of the insurance contracts of the company upon such terms and subject to such conditions as the [Tribunal] thinks fit.

(3) Application for an order under this section may be made either by the liquidator or by or on behalf of the company or by a policy-holder, or by the [Authority] and the [Authority] and any person whom the Court thinks likely to be affected shall be entitled to be heard on any such application.

[61A. Appeal to National Company Law Appellate Tribunal. - (1) Any person aggrieved by an order or decision of the Tribunal may prefer an appeal to the National Company Law Appellate Tribunal.

(2) No appeal shall lie to the National Company Law Appellate Tribunal from an order made by the Tribunal with the consent of parties.

(3) Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order or decision made by the Tribunal is received by the appellant and it shall be in such form and accompanied by such fee as may be prescribed:

Provided that the National Company Law Appellate Tribunal may entertain an appeal after the expiry of said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(4) On receipt of an appeal under sub-section (1), the National Company Law Appellate Tribunal shall, after giving parties to the appeal, an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

(5) The National Company Law Appellate Tribunal shall send a copy of every order made by it to the Tribunal and parties to the appeal.

(6) The appeal filed before the National Company Law Appellate Tribunal under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of the receipt of the appeal.]

Special provisions relating to external companies

62. Power of Central Government to impose reciprocal disabilities on non-Indian companies. - Where, by the law or practice of any country outside India in which an insurer carrying on insurance business in [India] is constituted, incorporated or domiciled, insurance companies incorporated in [India] are required as a condition of carrying on insurance business in that country to comply with any special requirement whether as to the keeping of deposits or assets in that country or otherwise which is not imposed upon insurers of that country under this Act, the Central Government shall, if satisfied of the existence of such special requirement, by notification in the Official Gazette, direct that the same requirement, or requirements as similar thereto as may be, shall be imposed upon insurers of that country as a condition of carrying on the business of insurance in [India].

63. Particulars to be filed by insurers established outside [India]. - Every insurer, having his principal place of business or domicile outside [India], who establishes a place of business within [India], or appoints a [representative] in [India] with the object of obtaining insurance business, shall, within three months from the establishment of such place of business or the appointment of such [representative], file with the [Authority]-

- (a) a certified copy of the charter, statutes, deed of settlement or memorandum and articles or other instrument constituting or defining the constitution of the insurer, and, if the instrument is not written in the English language, a certified translation thereof,
- (b) a list of the directors, if the insurer is a company,
- (c) the name and address of some or more persons resident in [India] authorised to accept on behalf of the insurer service of process and any notice required to be served on the insurer, together with a copy of the power-of-attorney granted to him,
- (d) the full address of the principal office of the insurer in [India],

- (e) a statement of the classes of insurance business to be carried on by the insurer, and
- (f) a statement verified by an affidavit setting forth the special requirements, if any, of the nature specified in section 62 imposed in the country of origin of the insurer on [India]n nationals, and, in the event of any alteration being made in the address of the principal office or in the classes of business to be carried on, or in any instrument here referred to, or in the name of any of the persons here referred to, or in the matters specified in clause (f) above, the company shall forthwith furnish to the [Authority] particulars of such alteration.

64. Books to be kept by insurers established outside [India]. - Every insurer having his principal place of business or domicile outside [India] shall keep at his principal office in [India] such books of account, registers and documents as will enable the accounts, statements and abstracts which he is required under this Act to furnish to the [Authority] in respect of the insurance business transacted by him in [India] to be compiled and, if necessary, checked by the [Authority][and shall furnish to the] [Authority][on or before the last day of January in every calendar year a certificate from an auditor to the effect that the said books of account, register and documents are being kept as required at the principal office of the insurer in India].

[PART II-A]

[Life Insurance Council and General Insurance Council and Committees Thereof]

64A. Incorporation of the Insurance Association of [India]. - [* * *]

64B. Entry of names of members in the register. - [* * *]

[64C. Councils of Life Insurance and General Insurance. - On and from the date of commencement of this Act,-

- (a) the existing Life Insurance Council, a representative body of the insurers, who carry on the life insurance business in India; and
- (b) the existing General Insurance Council, a representative body of insurers, who carry on general, health insurance business and re-insurance in India,

shall be deemed to have been constituted as the respective Councils under this Act.

64D. Authorisation to represent in Councils. - It shall be lawful for any member of the Life Insurance Council or the General Insurance Council to authorise any of its officer to act as the representative of such member at any meeting of the Council concerned.]

64E. Authorities of the Life Insurance Council and the General Insurance Council. - The authorities of the Life Insurance Council and the General Insurance Council shall be the Executive Committees [* *] constituted in the manner provided in this Part.

[64F. Executive Committees of the Life Insurance Council and the General Insurance Council. - (1) The Executive Committee of the Life Insurance Council shall consist of the following persons, namely:-

- (a) four representatives of members of the Life Insurance Council elected in their individual capacity by the members in such manner as may be laid down in the bye-laws of the Council;
- (b) an eminent person not connected with insurance business, nominated by the Authority;
- (c) three persons to represent insurance agents, intermediaries and policyholders respectively as may be nominated by the Authority;
- (d) one representative each from self-help groups and Insurance Co-operative Societies:

Provided that one of the representatives as mentioned in clause (a) shall be elected as the Chairperson of the Executive Committee of the Life Insurance Council.

(2) The Executive Committee of the General Insurance Council shall consist of the following persons, namely:-

- (a) four representatives of members of the General Insurance Council elected in their individual capacity by the members in such manner as may be laid down in the bye-laws of the Council;
- (b) an eminent person not connected with insurance business, nominated by the Authority; and
- (c) four persons to represent insurance agents, third party administrators, surveyors and loss assessors and policyholders respectively as may be nominated by the Authority:

Provided that one of the representatives as mentioned in clause (a) shall be elected as the Chairperson of the Executive Committee of the General Insurance Council.

(3) If anybody of persons specified in sub-sections (1) and (2) fails to elect any of the members of the Executive Committees of the Life Insurance Council or the General Insurance Council, the Authority may nominate any person to fill the vacancy, and any person so nominated shall be deemed to be a member of the Executive Committee of the Life Insurance Council or the General Insurance Council, as the case may be, as if he had been duly elected thereto.

(4) Each of the said Executive Committees may make bye-laws for the transaction of any business at any meeting of the said Committee.

(5) The Life Insurance Council or the General Insurance Council may form such other committees consisting of such persons as it may think fit to discharge such functions as may be delegated thereto.

(6) The Secretary of the Executive Committee of the Life Insurance Council and of the Executive Committee of the General Insurance Council shall in each case be appointed by the Executive Committee concerned:

Provided that each Secretary appointed by the Executive Committee concerned shall exercise all such powers and do all such acts as may be authorised in this behalf by the Executive Committee concerned.]

64G. Resignation and filling up of casual vacancies. - (1) Any member of the Executive Committee of the Life Insurance Council or of the General Insurance Council may resign his membership of the Committee by notice in writing addressed to the Chairman of the Committee to that effect.

(2) Casual vacancies in the Executive Committee of the Life Insurance Council or of the General Insurance Council, whether caused by resignation, death or otherwise, shall be filled [in such manner as may be laid down in the bye-laws of the Council concerned], and any person so nominated to fill the vacancy shall hold office until the dissolution of the Committee to which he has been nominated.

(3) No act of the Executive Committee of the Life Insurance Council or of the General Insurance Council shall be called in question on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Committee concerned.

64H. Duration and dissolution of Executive Committees. - (1) The duration of the Executive Committee of the Life Insurance Council or the General Insurance Council shall be three years from the date of its first meeting on the expiry of which it shall stand dissolved and a new Executive Committee constituted.

(2) Notwithstanding the dissolution of the Executive Committee of the Life Insurance Council or the General Insurance Council, the outgoing members thereof shall continue to hold office and discharge such administrative and other duties as may be prescribed until such time as a new Executive Committee of the Life Insurance Council or the General Insurance Council, as the case may be, shall have been constituted.

64I. Power of Executive Committee of Life Insurance Council to hold examinations for insurance agents. - [* * *]

64J. Functions of Executive Committee of Life Insurance Council. -

(1) The functions of the Executive Committee of the Life Insurance Council shall be-

- (a) to aid, advise and assist insurers carrying on life insurance business in the matter of setting up standards of conduct and sound practice and in the matter of rendering efficient service to holders of life insurance policies;

- (b) to render advice to the [Authority] in the matter of controlling the expenses of insurers in respect of their life insurance business in India;
- (c) to bring to the notice of the [Authority] the case of any insurer acting in a manner prejudicial to the interests of holders of life insurance policies;
- (d) to act in any matter incidental or ancillary to any of the matters specified in clauses (a) to (c) as, with the approval of the [Authority], may be notified by the Life Insurance Council in the Gazette of India.

[(2) For the purpose of enabling it to effectively discharge its functions, the Executive Committee of the Life Insurance Council may collect such fees as may be laid down in the bye-laws made by the Council from the insurers carrying on life insurance business.]

64K. Executive Committee of Life Insurance Council may advise in controlling expenses. - (1) It shall be the duty of the Executive Committee of the Life Insurance Council to meet at least once before the 31st day of March every year to advise the [Authority] in fixing under the proviso to sub-section (2) of section 40-B the limits by which the actual expenses incurred by an insurer carrying on life insurance business in respect of such business in the preceding year may exceed the limits prescribed under that sub-section, and in fixing any such limits the [Authority] shall have due regard to the conditions obtaining in life insurance business generally during that year, and he may fix different limits for different groups of insurers.

(2) Where an insurer is guilty of contravening the provisions of section 40-B with respect to the expenses of management, the [Authority] may, after giving the insurer an opportunity of being heard, administer a warning to the insurer.

(3) Where within a period of seven years two warnings have been given to an insurer under sub-section (2) and they have been disregarded by him, the [Authority] may cause an investigation and valuation, as at such date as the [Authority] may specify, to be made at the expense of the insurer by an actuary appointed by the insurer for this purpose and approved by the [Authority], and the insurer shall place at the disposal of the said actuary all the materials required by him for the purpose of such investigation and valuation, within such period, not being less than three months, as the [Authority] may specify.

(4) The provisions of sub-sections (1) and (4) of section 13 and of sub-sections (1) and (2) of section 15, or, as the case may be, of sub-section (2) of section 16 shall apply in relation to an investigation and valuation under this section:

Provided that the abstract and statement prepared as the result of such investigation and valuation shall be furnished by such date as the [Authority] may specify.

(5) There shall be appended to every such abstract a statement signed by the actuary giving such information as may be prescribed.

(6) On receipt of the abstract and statement furnished in accordance with sub-section (4), the [Authority] may take such action as may be prescribed.

64L. Functions of the Executive Committee of General Insurance Council. - (1) The functions of the Executive Committee of the General Insurance Council shall be-

- (a) to aid and advise insurers, carrying on general insurance business, in the matter of setting up standards of conduct and sound practice and in the matter of rendering efficient service to holders of policies of general insurance;
- (b) to render advice to the [Authority] in the matter of controlling the expenses of such insurers carrying on business in India in the matter of commission and other expenses;
- (c) to bring to the notice of the [Authority] the case of any such insurer acting in a manner prejudicial to the interests of holders of general insurance policies;
- (d) to act in any matter incidental or ancillary to any of the matters specified in clauses (a) to (c) as with the approval of the [Authority] may be notified by the General Insurance Council in the Gazette of India.

(2) For the purpose of enabling it effectively to discharge its functions, the Executive Committee of the General Insurance Council may collect such fees as may be prescribed from all insurers carrying on general insurance business:

[Provided that if the General Insurance Council thinks fit, it may, by a resolution passed by it, waive the collection of the prescribed fees for any year and where any such resolution has been approved by the] [Authority] [, the Executive Committee of the General Insurance Council shall not collect any fees in relation to that year.]

64M. Executive Committee of General Insurance Council may advise in controlling expenses. - (1) It shall be the duty of the Executive Committee of the General Insurance Council to meet at least once before the 31st day of March every year to advise the [Authority] in fixing under the proviso to sub-section (1) of section 40-C the limits by which the actual expenses of management incurred by an insurer carrying on general insurance business in respect of such business in the preceding year may exceed the limits prescribed under that sub-section, and in fixing any such limits the [Authority] shall have due regard to the conditions obtaining in general insurance business in the preceding year, and [it] may fix different limits for different groups of insurers.

(2) Where an insurer is guilty of contravening the provisions of section 40-C with respect to the expenses of management, the [Authority] may, after giving the insurer an opportunity of being heard, administer a warning to the insurer.

(3) Where in any case two warnings given to an insurer under sub-section (2) have been disregarded by him, the [Authority] may take such action against the insurer as may be prescribed.

64N. Power of the Executive Committees to act together in certain cases. - [The Authority may specify] the circumstances in which, the manner in which, and the conditions subject to which, the Executive Committee of the Life Insurance Council and the Executive Committee of the General Insurance Council may hold joint meetings for the purpose of dealing with any matter of common interest to both Committees, and it shall be lawful for the two Committees at any such joint meeting to delegate any matter under consideration for the determination of a sub-committee appointed for this purpose from amongst the members of the two Committees.

64O. Power of General Insurance Council to regulate rates of insurance, etc.-[*Repealed by the Insurance (Amendment) Act, 1968(62 of 1968), section 27 (w.e.f. 1-6-1969).*]

64P. Regional Councils. - [*Repealed by the Insurance (Amendment) Act, 1968 (62 of 1968), section >27 (w.e.f. 1-6-1969).*]

64Q. Functions of the Regional Councils. - [*Repealed by the Insurance (Amendment) Act, 1968(62 of 1968), section 27 (w.e.f. 1-6-1969).*]

64R. General powers of Life Insurance Council and General Insurance Council. - (1) For the efficient performance of its duties, the Life Insurance Council or the General Insurance Council, as the case may be, may-

- (a) appoint such officers and servants as may be necessary and fix the conditions of their service;
- (b) determine the manner in which any prescribed fee may be collected;
- [(c) keep and maintain up-to-date, a copy of list of all insurers who are members of the either Council;]
- (d) [make bye-laws for]-
 - (i) the holding of elections other than the first elections;
 - (ii) the summoning and holding of meetings, the conduct of business thereat and the number of persons necessary to form a quorum;
 - (iii) the submission by insurers to the Executive Committee of the Life Insurance Council, or the General Insurance Council, of such statements or information as may be required of them and the submission of copies thereof by the insurers to the [Authority];

(iv) the levy and collection of any fees;

(v) the regulation of any other matter which may be necessary for the purpose of enabling it to carry out its duties under this Act.

(2) The Life Insurance Council or the General Insurance Council may authorise the Executive Committee concerned [* * *] to exercise any of the powers conferred on the Life Insurance Council or the General Insurance Council, as the case may be, under clause (a), clause (b) or clause (c) of sub-section (1).

64S. Power of Central Government to remove difficulties. - [* * *]

64T. Power to exempt. - [* * *]

[PART II-B]

Tariff Advisory Committee And Control Of Tariff Rates

64U to 64UL.[* * *]

OLD LAW ▼

64U. Establishment of Tariff Advisory Committee. - (1) With effect from the commencement of the Insurance (Amendment) Act, 1968, there shall be established a Committee, to be called the Tariff Advisory Committee (hereafter in this Part referred to as the Advisory Committee) to control and regulate the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business.

(2) The Advisory Committee shall be a body corporate 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 may, by the said name, sue and be sued.

64UA. Composition of the Advisory Committee. - (1) The Advisory Committee shall consist of the following members, namely:-

- (a) the [Chairperson of the Authority], *ex officio*, who shall be the Chairman;
- (b) a senior officer of the office of the [Authority] nominated by the [Authority], who shall be the Vice-Chairman;
- (c) not more than ten representatives of Indian insurers, elected (in their individual capacities) by such insurers in such manner, from such areas and from among such insurers or groups of insurers as may be prescribed;
- (d) not more than four representatives of insurers incorporated or domiciled elsewhere than in India but registered in India, elected (in their individual capacities) by such insurers in such manner, and from among such insurers or groups of insurers as may be prescribed.

(2) The Secretary to the Advisory Committee shall be an officer of the office of the [Authority], nominated by the [Authority].

64UB. Power to make rules in respect of matters in this Part. - [(1) The Authority may, by notification in the Official Gazette, make regulations to carry out the purposes of this Part].

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

- (a) the functions to be discharged by the Advisory Committee;
- (b) the term of office of the members of the Advisory Committee, the procedure for their election and the manner of filling casual vacancies in the Advisory Committee;
- (c) the travelling and other allowances payable to the members of the Advisory Committee;
- (d) the procedure for holding the meetings of the Advisory Committee and for transaction of business thereat.

(3) The Advisory Committee may, [by notification in the Official Gazette,] with the previous approval of the [Authority], make regulations for all or any of the following matters, namely:-

- (a) the constitution, powers and duties of Regional Committees and of sub-committees constituted by the Advisory Committee or any Regional Committee;
- (b) the method of election of candidates for Regional Committees and sub-committees, their eligibility, term of office and method of filling casual vacancies;
- (c) the procedure for convening meetings and transaction of business by Regional Committees and sub-committees;
- (d) the appointment of officers and other employees of the Advisory Committee and of Regional Committees or sub-committees constituted by or under the Advisory Committee or any Regional Committee and the terms and conditions of their service including travelling and other allowances;
- (e) such other matters pertaining to procedure as are not inconsistent with the provisions of this Act or rules made thereunder, and may, from time to time, with the previous approval of the [Authority], add to, amend or vary any such regulations.

(4) the regulations made by the Tariff Committee of the General Insurance Council under section 64-O as they were in force immediately before the commencement of the Insurance (Amendment) Act, 1968, shall, after such commencement, continue to be in force until rules are made by the [Authority] under sub-section (1) and immediately after such rules have come into effect, the regulations aforesaid shall cease to be valid.

(5) The [Chairperson of the Authority] shall be in direct charge of the establishment of the Advisory Committee and the Secretary of the Advisory Committee shall work under his direction and control.

64UC. Power of the Advisory Committee to regulate rates, advantages, etc. - (1) The Advisory Committee may, from time to time and to the extent it deems expedient, control and regulate the rates, advantages, terms and conditions that may be offered by insurers in respect of any risk or of any class or category of risks, the rates, advantages, terms and conditions of which, in its opinion, it is proper to control and regulate, and any such rates, advantages, terms and conditions shall be binding on all insurers:

Provided that [the authority, may], permit any insurer to offer, during such period (being not more than two years but which may be extended by periods of not more than two years at a time) and subject to such conditions as may be specified by [it], rates, advantages, terms or conditions different from those fixed by the Advisory Committee in respect of any particular category of risks, if [it] is satisfied that such insurer generally issues policies only to a restricted class of the public or under a restricted category of risks.

(2) In fixing, amending or modifying any rates, advantages, terms or conditions, relating to any risk, the Advisory Committee shall try to ensure, as far as possible, that there is no unfair discrimination between risks of essentially the same hazard, and also that consideration is given to past and prospective loss experience:

Provided that the Advisory Committee may, at its discretion, make suitable allowances for the degree of credibility to be assigned to the past experience, including allowances for random fluctuations and may also, at its discretion, make suitable allowances for future fluctuations and unforeseen future contingencies, including hazards of conflagration or catastrophe or both.

(3) Every decision of the Advisory Committee shall be valid only after and to the extent it is ratified by the [Authority], and every such decision shall take effect from the date on which it is so ratified by the [Authority], or, if the [Authority] so orders in any case, from such earlier date as he may specify in the order.

(4) The decisions of the Advisory Committee in pursuance of the provisions of this section shall be final.

(5) Where an insurer is guilty of breach of any rate, advantage, term or condition fixed by the Advisory Committee, he shall be deemed to have contravened the provisions of this Act:

Provided that instead of proceeding against the insurer for such contravention, the [Authority] may, if the insurer removes the contravention by recovering the deficiency in the premium, or where it is not practicable to do so, modifies suitably or cancels the contract of

insurance, compound the offence on payment to the Advisory Committee of such fine, not exceeding rupees one thousand, as he may decide in consultation with the Advisory Committee.

64UD. Transitional provisions. - (1) Notwithstanding anything contained in this Part, until the names of the members of the Advisory Committee elected for the first time after the commencement of the Insurance (Amendment) Act, 1968, are notified, the Tariff Committee of the General Insurance Council appointed under regulations made under sub-section (2) of section 64-O as it was in force immediately before the commencement of the Insurance (Amendment) Act, 1968, and in existence on each commencement (hereafter in this Part referred to as the Tariff Committee) shall continue to function and shall be deemed to be the Advisory Committee duly elected under this Part and the Controller of Insurance shall become the Chairman of that Committee with effect from the commencement of the Insurance (Amendment) Act, 1968, and function as such, and any Chairman of the Tariff Committee holding office immediately before such commencement shall cease to be the Chairman thereof from the date of such commencement but shall continue to be an ordinary member of the Advisory Committee:

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

(2) Notwithstanding anything contained in this Part, the constitutions of the Regional Councils established under section 64-P, as in force immediately before the commencement of the Insurance (Amendment) Act, 1968 (hereafter referred to as the Regional Councils), and of the Sectional Committees formed thereunder, existing immediately before such commencement, shall continue to be in full force and be of full effect until the regulations made by the Advisory Committee for the first time under section 64-UB come into effect and as soon as such regulations have come into effect such constitutions shall cease to have effect.

(3) Notwithstanding anything contained in this Part, until the Secretary to the Advisory Committee is nominated under sub-section (2) of section 64-UA, the Secretary to the Tariff Committee holding office immediately before the commencement of the Insurance (Amendment) Act, 1968, shall function as the Secretary and shall be deemed to have been duly nominated under this Part.

(4) All rates, advantages, terms and conditions fixed by the Tariff Committee or the Regional Councils prior to the commencement of the Insurance (Amendment) Act, 1968 and in force immediately before such commencement shall continue, except to such extent as they may be altered, replaced or abolished by the Advisory Committee, to be valid and

fully in force as if they were rates, advantages, terms and conditions fixed by the Advisory Committee.

64UE. Power of the Advisory Committee to require information, etc. - (1) The Advisory Committee may require, by notice in writing, any insurer to supply to it such information or statements, periodical or *ad hoc*, as it may consider necessary, to enable it to discharge its functions under this Part and every insurer shall comply with such requirements within such period as may be specified by the Advisory Committee in this behalf, failing which the insurer shall be deemed to have contravened the provisions of this Act.

(2) Any information supplied under this section shall be certified by a principal officer of the insurer or where the Advisory Committee has agreed in advance, by such other officer or officers of the insurer as the principal officer of the insurer may nominate for the purpose and if the notice so requires, also by an auditor.

(3) The [Authority] may, at any time, in writing, depute any subordinate of [its], to make a personal inspection of the books of account, ledgers, policy-registers and other books or documents of any insurer to verify the accuracy of any return or statement furnished by him under sub-section (1), or to verify that full particulars have been supplied by him in respect of all policies issued by him, and the insurer shall provide all facilities for such inspection, and make available to such person all the books of account, ledgers, policy-registers and other books or documents of the insurer which might be needed by him for such verification and the person deputed may himself extract from out of the books and records of the insurer such information as may be needed to fill up or complete the returns required to be submitted to the Advisory Committee under this section.

(4) The Advisory Committee may, at any time, on the application of an insurer, make arrangements for the inspection of an organisation which is concerned with the inspection of risks, adjustment of losses or fire fighting appliances, and may, whenever necessary, advise insurers about the adequacy of the arrangements for the inspection of risks and adjustment of losses or the suitability of such appliances:

Provided that no such inspection shall be made without the written permission of the concerned organisation.

64UF. Assets and liabilities of the General Insurance Council to vest in the Advisory Committee. - (1) On the commencement of the Insurance (Amendment) Act, 1968, all the assets and liabilities of the General Insurance Council appertaining to its Tariff Committee and to its Regional Councils and their Sectional Committees existing on that day shall be transferred to, and vest in, the Advisory Committee.

(2) The assets appertaining to the Tariff Committee, the Regional Councils, and their Sectional Committees shall be deemed to include all rights and

powers and all property, whether movable or immovable including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in, or arising out of, such property as may be in the possession of the Tariff Committee, Regional Councils and their Sectional Committees and all books of account or documents thereof; and liabilities shall be deemed to include all debts, liabilities and obligations of whatever kind existing and appertaining to the work of the Tariff Committee, the Regional Councils and their Sectional Committees.

(3) Where the General Insurance Council has established a provident or superannuation fund or any other fund for the benefit of the employees of its Tariff Committee or Regional Councils and constituted a trust in respect thereof (hereafter in this section referred to as an existing trust), the monies standing to the credit of any such fund at the commencement of the Insurance (Amendment) Act, 1968, shall, subject to the provisions of sub-section (4), stand transferred to, and vest in, on such commencement, the Advisory Committee.

(4) Where any employee of the Tariff Committee, or the Regional Councils, of the General Insurance Council does not become an employee of the Advisory Committee, the monies and other assets appertaining to any fund referred to in sub-section (3) shall be apportioned between the trustees of the fund and the Advisory Committee in the prescribed manner; and in case of any dispute regarding such apportionment, the decision of the Central Government thereon shall be final.

(5) The Advisory Committee shall, as soon as may be after the commencement of the Insurance (Amendment) Act, 1968, constitute in respect of the monies and other assets which are transferred to, and vested in it, under sub-section (3), one or more trusts having, as far as practicable, objects similar to the objects of the existing trust.

(6) Where all the monies and other assets belonging to an existing trust are transferred to, and vested in, the Advisory Committee under sub-section (3), the trustees of such trust shall, on the commencement of the Insurance (Amendment) Act, 1968, be discharged from the trust except as respects things done or omitted to be done by them before such commencement.

64UG. Contracts, etc., to be effective by or against the Advisory Committee. - (1) Unless otherwise expressly provided by or under this Act, all contracts, agreements and other instruments of whatever nature subsisting or having effect immediately before the commencement of the Insurance (Amendment) Act, 1968, and to which the Tariff Committee, or any Regional Council is a party or which is in favour of that Committee or that Council, shall be of as full force and effect against or in favour of the Advisory Committee and may be enforced or acted upon as fully and effectually as if, instead of the Tariff Committee, or the Regional Council, the Advisory Committee had been a party thereto or as if they had been

entered into or issued in favour of the Advisory Committee.

(2) If, at the commencement of the Insurance (Amendment) Act, 1968, any suit, appeal or other legal proceeding of whatever nature is pending by or against the Tariff Committee, or any Regional Council then it shall not abate, be discontinued or in any way be prejudicially effected by reason of the transfer to the Advisory Committee of the assets and liabilities of the Tariff Committee, and the Regional Councils or of anything done under this Act, but the suit, appeal or other proceeding may be continued, prosecuted or enforced by or against the Advisory Committee.

64UH. Employees, etc., to continue. - (1) Every whole-time employee of the Tariff Committee, or the Regional Councils who was employed by that Committee or those Councils wholly or mainly in connection with its or their statutory duties immediately before the commencement of the Insurance (Amendment) Act, 1968, shall, on and from such commencement, become an employee of the Advisory Committee and shall hold his office in it by the same tenure, at the same remuneration, and upon the same terms and conditions and with the same rates and privileges as to pension, gratuity and other matters as he would have held on such commencement if this Part had not been enacted, and shall continue to do so until his employment under the Advisory Committee is terminated or until his remuneration, terms and conditions, are duly altered by the Advisory Committee:

Provided that nothing contained in this sub-section shall apply to any employee who has given notice to the Central Government in writing either prior to or within two months from the commencement of the Insurance (Amendment) Act, 1968, intimating his intention of not becoming an employee of the Advisory Committee.

(2) Where the Central Government is satisfied that for the purpose of securing uniformity in the scales of pay, remuneration and other terms and conditions of service applicable to employees of the Tariff Committee, or the Regional Councils, it is necessary so to do, or that a reduction in the remuneration payable or revision of the other terms and conditions of service applicable to employees or any class of them is called for, the Central Government may, notwithstanding anything contained in sub-section (1), or in the Industrial Disputes Act, 1947, or in any other law for the time being in force or in any award, settlement, or agreement for the time being in force, alter (whether by way of reduction or otherwise) the remuneration and other terms and conditions of service to such extent and in such manner as it thinks fit; and if the alteration is not acceptable to any employee, the Advisory Committee may terminate his employment by giving him compensation equivalent to three months' remuneration, unless the contract of service with such employee provides for a shorter notice of termination.

Explanation .-The compensation payable to an employee under this sub-

section shall be in addition to, and shall not affect any pension, gratuity, provident fund money or any other benefit to which the employee may be entitled under his contract of service.

(3) If any question arises as to whether any person was a whole-time employee of the Tariff Committee, or the Regional Council, on the commencement of the Insurance (Amendment) Act, 1968, or as to whether any employee was employed wholly or mainly in connection with the statutory duties of the Tariff Committee, or any Regional Council immediately before such commencement, the question shall be referred to the Central Government whose decision thereon shall be final.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any employee of the Tariff Committee, or the Regional Councils, to the Advisory Committee shall not entitle any such employee to any compensation under that Act or other law, and no such claim shall be entertained by any Court, Tribunal or other authority.

64UI. Duty of person having custody or control of property to deliver such property to the Advisory Committee. - (1) Where any property of the Tariff Committee, or the Regional Councils (appertaining to its or their statutory duties) has been transferred to, and vested in, the Advisory Committee, then,-

(a) every person in whose possession, custody or control any such property may be, shall deliver the property to the Advisory Committee forthwith;

(b) any person, who, on the commencement of the Insurance (Amendment) Act, 1968, has in his possession, custody or control any books, documents and other papers relating to the Tariff Committee, or the Regional Councils, shall be liable to account for the said books, documents and papers to the Advisory Committee and shall deliver them to the Advisory Committee or to such person as that Committee may direct.

(2) Without prejudice to the provisions contained in this section, it shall be lawful for the Advisory Committee to take all necessary steps for securing possession of all properties which have been transferred to, and vested in, it under this Act.

64UJ. Power of the Advisory Committee to constitute Regional Committees. - (1) The Advisory Committee may constitute such Regional Committees as and when it deems fit for one or more of the prescribed regions.

(2) Each Regional Committee shall consist of not more than seven persons of which not more than five shall be elected by such groups of insurers carrying on general insurance business in the region as may be prescribed and not more than two shall be nominated by the [Authority].

(3) For the purpose of enabling it effectively to discharge its duties, any Regional Committee may constitute such sub-committees as it may think fit, whether consisting of members of the Regional Committee or not.

(4) It shall be the duty of every Regional Committee to advise the Advisory Committee on any question connected with the fixation of rates, advantages, terms and conditions for risks in its region which may be referred to it by the Advisory Committee for advice, and in addition, every Regional Committee shall perform such other functions as may be delegated to it by the Advisory Committee by regulations made by it with the previous approval of the Central Government.

(5) Where, in the exercise of any functions delegated to it under this section, any Regional Committee or any sub-committee thereof restrains an insurance agent from procuring or causing to be procured general insurance business in any area, such agent may prefer an appeal to the Central Government against such order within thirty days from the date of service of that order on him and the Central Government may, after giving such agent an opportunity of being heard, pass such orders thereon as it may think fit and the orders made by the Central Government on such appeal shall be final.

(6) Notwithstanding anything contained in this section, every Regional Council and every Sectional or other Committee of such Regional Council, in existence immediately before the commencement of the Insurance (Amendment) Act, 1968, shall, until it is abolished by the Advisory Committee, be deemed to be a Regional Committee or sub-committee, as the case may be, established in accordance with the provisions of this section and shall function as such and shall have all the powers and responsibilities which it had immediately before such commencement, and if the term of any such Council or Committee expires before Regional Committees constituted under sub-section (1) and sub-committees constituted under sub-section (3) come into existence, such terms shall be deemed to have been validly extended up to the time when such Regional Committees and sub-committees are established.

64UK. Levy of fees by the Advisory Committee. - (1) Every insurer shall annually before the prescribed date make payment to the Advisory Committee in the prescribed manner of such fees, not exceeding for any year, in the case of an insurer doing only re-insurance business in India, one per cent. of his total premiums in respect of facultative re-insurance accepted by him in India in the preceding year and, in the case of any other insurer, one per cent. of the total gross premium written direct by him in India in the preceding year, as may be specified by the Advisory Committee for the purpose of this Part.

(2) The Advisory Committee may collect, in addition to the fees mentioned in sub-section (1), reasonable fees and charges from any person to cover the cost of any specific services rendered by it.

(3) If an insurer fails to make payment within the prescribed date of any fee required to be paid under sub-section (1), he shall be deemed to have failed to comply with the provisions of this Act.

(4) The [Authority] may, so long as an application to the Court under sub-section (5-D) of section 3 has not been made, revive the registration which might have been cancelled for failure to make payment of the fee required to be made under sub-section (1), if the insurer makes payment of such fee together with such penalty not exceeding the actual amount of fee payable as the [Authority] may require.

64UL. Power to remove difficulties. - If any difficulty arises in giving effect to the provisions of this Part, the Central Government may, by order, make such provisions or give such directions not inconsistent with the provisions of this Act as may appear to it to be necessary or expedient for the removal of the difficulty:

Provided that no such power shall be exercised after the expiry of a period of four years from the commencement of this Part.

[64ULA. Transitional provisions. - (1) Notwithstanding anything contained in this Part, until the rates, advantage and terms and conditions laid down by the Advisory Committee under section 64UC are de-notified by the Authority with effect from such date as the Authority may by notification in the Official Gazette determine, and the rates, advantages and terms and conditions are decided by the insurer concerned, the rates, advantages and terms and conditions notified by the Advisory Committee shall continue to be in force and shall always be deemed to have been in force and any such rates, advantages and terms and conditions shall be binding on all the insurers.

(2) The Authority shall, in consultation with the Central Government, prepare a scheme for the existing employees of the Tariff Advisory Committee on its dissolution, keeping in view the interests of such employees on such terms and conditions as it may, by order, determine.]

[64UM. Surveyors or loss assessors. - (1) Save as otherwise provided in this section, no person shall act as a surveyor or loss assessor in respect of general insurance business after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015, unless he-

(a) possesses such academic qualifications as may be specified by the regulations made under this Act; and

(b) is a member of a professional body of surveyors and loss assessors, namely, the Indian Institute of Insurance Surveyors and Loss Assessors:

Provided that in the case of a firm or company, all the partners or directors or other persons, who may be called upon to make a survey or assess a loss reported, as the case may be, shall fulfil the requirements of clauses (a) and (b).

(2) Every surveyor and loss assessor shall comply with the code of conduct in respect of his duties, responsibilities and other professional requirements, as may be specified by the regulations made under the Act.

(3) Notwithstanding anything contained in the foregoing provisions, a class or class of persons acting as a licensed surveyor or loss assessor prior to the commencement of the Insurance Laws (Amendment) Act, 2015 shall continue to act as such for such period as may be specified by the regulations made under this Act:

Provided that the surveyor or loss assessor shall, within the period as may be notified by the Authority, satisfy the requirements of clause (a) and clause (b) of subsection (1), failing which, the surveyor or loss assessor shall be automatically disqualified to act as a surveyor or loss assessor.

(4) No claim in respect of a loss which has occurred in India and requiring to be paid or settled in India equal to or exceeding an amount specified in the regulations by the Authority in value on any policy of insurance, arising or intimated to an insurer at any time after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015, shall, unless otherwise directed by the Authority, be admitted for payment or settled by the insurer unless he has obtained a report, on the loss that has occurred, from a person who holds a licence issued under this section to act as a surveyor or loss assessor (hereafter referred to as "approved surveyor or loss assessor"):

Provided that nothing in this sub-section shall be deemed to take away or abridge the right of the insurer to pay or settle any claim at any amount different from the amount assessed by the approved surveyor or loss assessor.

(5) The Authority may, at any time, in respect of any claim of the nature referred to in sub-section (4), call for an independent report from any other approved surveyor or loss assessor specified by him and such surveyor or loss assessor shall furnish such report to the Authority within such time as may be specified by the Authority or if no time limit has been specified by him within a reasonable time and the cost of, or incidental to, such report shall be borne by the insurer.

(6) The Authority may, on receipt of a report referred to in sub-section (5), issue such directions as it may consider necessary with regard to the settlement of the claim including any direction to settle a claim at a figure less than, or more than, that at which it is proposed to settle it or it was settled and the insurer shall be bound to comply with such directions:

Provided that where the Authority issues a direction for settling a claim at a figure lower than that at which it has already been settled, the insurer shall be deemed to comply with such direction if he satisfies the Authority that all reasonable steps, with due regard to the question whether the expenditure involved is not disproportionate to the amount required to be recovered, have been taken with due despatch by him:

Provided further that no direction for the payment of a lesser sum shall be made where the amount of the claim has already been paid and the Authority is of opinion that the recovery of the amount paid in excess would cause undue hardship to the insured:

Provided also that nothing in this section shall relieve the insurer from any liability, civil or criminal, to which he would have been subject but for the provisions of this sub-section.

(7) No insurer shall, after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015 pay to any person any fee or remuneration for surveying, verifying or reporting on a claim of loss under a policy of insurance unless the person making such survey, verification or report is an approved surveyor or loss assessor.

(8) Where, in the case of a claim of less than the amount specified in sub-section (4) in value on any policy of insurance it is not practicable for an insurer to employ an approved surveyor or loss assessor without incurring expenses disproportionate to the amount of the claim, the insurer may employ any other person (not being a person disqualified for the time being for being employed as a surveyor or loss assessor) for surveying such loss and may pay such reasonable fee or remuneration to the person so employed as he may think fit.

(9) The Authority may in respect of any claim of value of less than the amount specified in sub-section (4) on an insurance policy, if the claim has not been or is not proposed to be reported upon by a surveyor or loss assessor, direct that such claim shall be reported upon by an approved surveyor or loss assessor and where the Authority makes such direction, the provisions of sub-sections (5) and (6) shall apply in respect of such claim.

(10) Where, in relation to any class of claims, the Authority is satisfied that it is customary to entrust the work of survey or loss assessment to any person other than a licensed surveyor or loss assessor, or it is not practicable to make any survey or loss assessment, it may, by an order, exempt such class of claims from the operation of this section.]

PART II-C

Solvency Margin, Advance Payment Of Premium And Restrictions On The Opening Of A New Place Of Business

[64V. Assets and liabilities how to be valued. - (1) For the purpose of ascertaining compliance with the provisions of section 64VA, assets shall be valued at value not exceeding their market or realisable value and certain assets may be excluded by the Authority in the manner as may be specified by the regulations made in this behalf.

(2) A proper value shall be placed on every item of liability of the insurer in the manner as may be specified by the regulations made in this behalf.

(3) Every insurer shall furnish to the Authority along with the returns required to be filed under this Act, a statement, certified by an Auditor, approved by the Authority, in respect of general insurance business or an actuary approved by the Authority in respect of life insurance business, as the case may be, of his assets and liabilities assessed in the manner required by this section as on the 31st day of March of each year within such time as may be specified by the regulations.

64VA. Sufficiency of assets. - (1) Every insurer and re-insurer shall at all times maintain an excess of value of assets over the amount of liabilities of, not less than fifty per cent. of the amount of minimum capital as stated under section 6 and arrived at in the manner specified by the regulations.

(2) An insurer or re-insurer, as the case may be, who does not comply with subsection (1), shall be deemed to be insolvent and may be wound-up by the court on an application made by the Authority.

(3) The Authority shall by way of regulation made for the purpose, specify a level of solvency margin known as control level of solvency on the breach of which the Authority shall act in accordance with the provisions of sub-section (4) without prejudice to taking of any other remedial measures as deemed fit:

Provided that if in respect of any insurer the Authority is satisfied that either by reason of an unfavourable claim experience or because of a sharp increase in the volume of new business, or for any other reason, compliance with the provisions of this sub-section shall cause undue hardship to the insurer, it may direct that for such period and subject to such conditions as it may specify, the provisions of this sub-section shall apply to that insurer with such modifications provided that such modifications shall not result in the control level of solvency being less than what is stipulated under sub-section (1).

(4) If, at any time, an insurer or re-insurer does not maintain the required control level of solvency margin, he shall, in accordance with the directions issued by the Authority, submit a financial plan to the Authority, indicating a plan of action to correct the deficiency within a specified period not exceeding six months.

(5) An insurer who has submitted a plan, as required under sub-section (4), the Authority shall propose modifications to the plan, if the Authority considers the same inadequate, and in such an eventuality, the Authority shall give directions, as may be deemed necessary, including direction in regard to transacting any new business, or, appointment of an administrator or both.

(6) An insurer or re-insurer, as the case may be, who does not comply with the provisions of sub-section (4) shall be deemed to have made default in complying with the requirements of this section.

(7) The Authority shall be entitled at any time to take such steps as it may consider necessary for the inspection or verification of the assets and

liabilities of any insurer or re-insurer, or for securing the particulars necessary to establish that the requirements of this section have been complied with as on any date, and the insurer or re-insurer, as the case may be, shall comply with any requisition made in this behalf by the Authority, and in the event of any failure to do so within two months from the receipt of the requisition, the insurer or re-insurer, as the case may be, shall be deemed to have made default in complying with the requirements of this section.

(8) In applying the provisions of sub-section (1) to any insurer or re-insurer, as the case may be, who is a member of a group, the relevant amount for that insurer shall be an amount equal to that proportion of the relevant amount which that group, if considered as a single insurer, would have been required to maintain as the proportion of his share of the risk on each policy issued by the group bears to the total risk on that policy:

Provided that when a group of insurers ceases to be a group, every insurer in that group who continues to carry on any class of insurance business in India shall comply with the requirements of sub-section (1) as if he had not been an insurer in a group at any time:

Provided further that it shall be sufficient compliance of the provisions of the foregoing proviso if the insurer brings up the excess of the value of his assets over the amount of his liabilities to the required amount within a period of six months from the date of cessation of the group:

Provided also that the Authority may, on sufficient cause being shown, extend the said period of six months by such further periods as it may think fit, so, however that the total period may not in any case exceed one year.

(9) Every insurer shall furnish to the Authority return giving details of solvency margin in such form, time, manner including its authentication as may be specified by the regulations.]

64VB. No risk to be assumed unless premium is received in advance. - (1) No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.

(2) For the purposes of this section, in the case of risks for which premium can be ascertained in advance, the risk may be assumed not earlier than the date on which the premium has been paid in cash or by cheque to the insurer.

Explanation .-Where the premium is tendered by postal money order or cheque sent by post, the risk may be assumed on the date on which the money order is booked or the cheque is posted, as the case may be.

(3) Any refund of premium which may become due to an insured on account of the cancellation of a policy or alteration in its terms and conditions or

otherwise shall be paid by the insurer directly to the insured by a crossed or order cheque or by postal money order and a proper receipt shall be obtained by the insurer from the insured, and such refund shall in no case be credited to the account of the agent.

(4) Where an insurance agent collects a premium on a policy of insurance on behalf of an insurer, he shall deposit with, or despatch by post to, the insurer, the premium so collected in full without deduction of his commission within twenty-four hours of the collection excluding bank and postal holidays.

(5) The Central Government may, by rules, relax the requirements of sub-section (1) in respect of particular categories in insurance policies.

[(6) The Authority may, from time to time, specify, by the regulations made by it, the manner of receipt of premium by the insurer.]

[64VC. Restrictions on opening of new place of business. - No insurer shall, after the commencement of the Insurance (Amendment) Act, 1968, open a new place of business or close a place in India or outside India or change otherwise than within the same city, town or village, the location of an existing place of business situated in India or outside India, except in the manner as may be specified by the regulations.]

[* * *]

OLD LAW ▼

PART III

Provident Societies

[65. Definition of "provident society".-(1) In this Part "provident society" means, a person who, or a body of persons (whether corporate or unincorporate) which, not being an insurer registered for the time being under Part II of this Act, carries on the business of insuring the payment, on the happening of any of the contingencies mentioned in sub-section (2), of-

- (a) an annuity of or equivalent to] [one hundred][rupees or less, payable for an uncertain period, or
- (b) a gross sum of] [one thousand][rupees or less, whether paid or payable in a lump sum or in two or more instalments over a certain period, exclusively in both cases (a) and (b) of any profit or bonus not being a guaranteed profit or bonus.

*Explanation .-*For the purposes of this sub-section, a period is "certain" if its duration is ascertainable in advance and "uncertain" if its duration is not so ascertainable.

(2) The contingencies referred to in sub-section (1) are the following, namely:-

- (a) the birth, marriage or death of any person or the survival by a

person of a stated or implied age or contingency;

(b) failure of issue;

(c) the occurrence of a social, religious or other ceremonial occasion;

(d) loss of or retirement from employment;

(e) disablement in consequence of sickness or accident;

(f) the necessity of providing for the education of a dependent;

(g) any other contingency which may be prescribed or which may be authorised by the State Government with the approval of the Central Government.

(3) For the purposes of sub-sections (1) and (2)-

(a) contracts entered into before the commencement of this Act shall not be taken into account;

(b) two or more policies issued to one person shall, for the purposes of determining whether the limits fixed by sub-section (1) have or have not been exceeded, be deemed to be one policy if the contingencies on the happening of which the sums are payable under the policies (whether the contingencies be the same or different) relate to one person only, whether he be the policy-holder or some other person.

(4) Every person or body of persons for the time being registered as a provident society under the Provident Insurance Societies Act, 1912, and every person or body of persons for the time being registered as a provident society under this Act shall be deemed to be a provident society for all the purposes of this Act.

(5) If any question arises whether any person or body of persons is or is not a provident society within the meaning of this section, the] [Authority][shall decide the question and its decision shall be final.]

[65-A. Prohibition of transaction of insurance business by provident societies other than public companies or co-operative societies. - No person shall, after the commencement of the Insurance (Amendment) Act, 1950, begin to carry on in][India] [any business specified in sub-section (1) of section 65, and no provident society carrying on any such business in][India][shall, after the expiry of one year from such commencement, continue to carry on any such business, unless he or it is-

(a) a public company, or

(b) a society registered under the Co-operative Societies Act, 1912 (2 of 1912), or under any other law for the time being in force in any State relating to co-operative societies, or

(c) a body corporate incorporated under the law of any country outside

][India][not being of the nature of a private company.]

[66. Restrictions on provident societies. - No provident society shall undertake any form of insurance not falling within the limits fixed by sub-section (1) of section 65, nor shall any provident society be eligible to be registered under section 3.]

67. Name. - No provident society established after the commencement of this Act shall adopt as its name, and no provident society established before the commencement of this Act shall continue after the expiry of six months from the commencement thereof to use as its name, any combination of words which fails to include the word "provident" or which includes the word "life".

68. Insurable interest. - [*Repealed by the Insurance (Amendment) Act , 1950 (47 of 1950), section 48 (w.e.f.1-6-1950).*]

69. Dividing business. - (1) No provident society shall carry on any business upon the dividing principle, that is to say, on the principle that the benefit secured by a policy is not fixed but depends either wholly or partly on [the results of a distribution of certain sums amongst policies becoming claims within certain time-limits, or on the principle that the premiums payable by a policy-holder depend wholly or partly on the number of policies becoming claims within certain time-limits].

(2) The [Authority] shall, as soon as possible, take steps to have any provident society which carries on business on the dividing principle wound up:

Provided that, where any such provident society in existence at the commencement of this Act applies within three months of such commencement to the [Authority] for permission to continue carrying on its business with a view meanwhile to reorganise its business in accordance with the provisions of this Act, the [Authority] may at [its] discretion, with due regard to the past history of the society, permit the society to continue business for a period not exceeding two years from the date of receipt of such permission, so, however, that no new business on the dividing principle is undertaken by the society.

[(3) Where after the commencement of the Insurance (Amendment) Act, 1941, a provident society is to be wound up in pursuance of this section, or where, whether before or after the commencement of that Act, a provident society ceases to carry on business on the dividing principle, the provisions of sub-section (2) and sub-section (3) of section 52 shall, so far as may be, apply in like manner as they apply to an insurer ceasing to carry on business on the dividing principle.]

70. Registration. - (1) No provident society except a provident society registered under the provisions of the Provident Insurance Societies Act, 1912, shall receive any premium or contribution until it has obtained from [the Authority, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999, a certificate of

registration].

(2) Every application for registration shall be accompanied by-

- (a) a certified copy of the rules of the society, and when the society is a company incorporated under [the Companies Act, 2013 (18 of 2013)], [or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby,] a certified copy of the memorandum and articles of Association or where the society is not such a company, a certified copy of the deed of constitution of the society;
- (b) the names and addresses of the proprietors or directors, and the managers of the society, the full address of the registered office of the society, [the full address of the principal office of the society in] [India][, the name of the manager at such office, and the name and address of some one or more persons resident in] [India][authorised to accept any notice required to be served on the society];
- (c) a certificate from the Reserve Bank of India that the initial deposit referred to in section 73 has been made; [*]
- (d) a declaration verified by an affidavit [made by the principal officer of the society authorised in that behalf] that the minimum working capital required by section 72, is available; [and
- (e) the] [receipt showing payment in the prescribed manner of the prescribed fee][for registration being not more than two hundred rupees.]

(3) The [Authority] may refuse to issue a certificate or registration until [it] is satisfied that the rules of the society comply with the provisions of this Act and that the [society complies with the provisions of sections] [65-A, 67][, 71, 72, 73 and 73-A], but if he is so satisfied he shall register the society and its rules.

(4) The [Authority] may, after giving previous notice in writing in such manner as it thinks fit specifying the grounds for the proposed cancellation, and allowing the society concerned an opportunity of being heard, apply to the Court and obtain sanction for cancellation of the registration made under this section or made under the provisions of the Provident Insurance Societies Act, 1912,-

- (a) if [it] is satisfied [from the returns furnished under the provisions of this Act or] as the result of an inquiry made under section 87-
 - (i) that the society is insolvent or is likely to become so, or
 - (ii) that the business of the society is conducted fraudulently or not in accordance with the rules thereof, or that it is in the interests of the policy-holders that the society should cease to carry on

business, [or]

[* * *]

(c) if the society, having failed to comply with any requirement [or having contravened any provision] of this Act, has continued such failure [or contravention], for a period of one month after notice of such failure or contravention has been conveyed to the society by the [Authority]:

Provided that the [Authority] may, if [it] thinks fit, instead of applying for cancellation of the registration under sub-clause (i) of clause (a) of this sub-section make a recommendation to the Court that the contracts of the society should be reduced in such manner and subject to such conditions as he may indicate:

[Provided further that the][Authority][may, without previous notice and without application to the Court for sanction,-

(a) cancel the registration of a provident society which has failed to have its registration renewed, or]

[(aa) cancel the registration of a provident society if any deposit required by section 73, has not been made, or]

[(b) cancel, on such terms and conditions as he thinks fit, the registration of any provident society which applies to him for such cancellation if he is satisfied that the society has ceased to carry on insurance business and that all its liabilities in respect of insurance policies are either satisfied or otherwise provided for,][or

(c) cancel the registration of a provident society if][it][has reason to believe that any claim upon the society arising in India under any policy of insurance remains unpaid for three months after final judgment in regular course of law.]

[(5) When a registration is cancelled the provident society shall not, after the cancellation has taken effect, enter into any new contracts of insurance, but all rights and liabilities in respect of contracts of insurance entered into by it before such cancellation takes effect shall, subject to the provisions of section 88, continue as if the cancellation had not taken place.

(6) Where a registration is cancelled under clause (b) of sub-section (4),][or clause (c) of the second proviso to that sub-section][, or because the society has failed to have its registration renewed, the][Authority][may at][its][discretion revive the registration of the provident society, within six months from the date on which the cancellation took effect, makes the deposits required by section 73][or satisfies the][Authority][that no claim upon it such as is referred to in the said clause (c) remains unpaid] [or has had an application under sub-section (3) of section 70-A

accepted, as the case may be, and complies with any directions which may be given to it by the] [Authority].

[(7) The] [Authority][may, on payment of the prescribed fee which shall not exceed five rupees, issue a duplicate certificate of registration to replace a certificate lost, destroyed or mutilated, or in any other case where] [it][is of opinion that the issue of a duplicate certificate is necessary.]

[70A. Renewal of registration. - (1) Every provident society registered under this Act, or under the Provident Insurance Societies Act, 1912, shall have its registration renewed annually for each period of twelve months after that ending on the 30th day of June, 1942.

(2) An application for the renewal of a registration shall be made by the society to the] [Authority][before the 30th day of June preceding the period for which renewal is sought, and shall be accompanied as provided in sub-section (3) by evidence of payment of the prescribed fee which shall not exceed two hundred rupees but may vary according to the volume of insurance business done by the society.

(3) The prescribed fee for the renewal of a registration for any year shall be paid into the Reserve Bank of India, or, where there is no office of that Bank, into the] [Imperial Bank of India][acting as the agent of that Bank, or into any Government treasury, and the receipt shall be sent along with the application for renewal of the registration.

(4) If a provident society fails to apply for renewal of registration before the date specified in sub-section (2) the] [Authority][may, so long as] [it][has taken no action under section 88 to have the society wound up, accept an application for renewal of registration on receipt from the society of the fee payable with the application and such penalty, not exceeding the prescribed fee payable by the society, as] [it][may require.

(5) The] [Authority][shall, on being satisfied that the society has fulfilled the requirements of this section, renew the registration and grant it a certificate of renewal of registration.

70B. Supplementary information and reports of alterations in particulars furnished with application for registration. - (1) Every provident society registered under section 70 before the commencement of the Insurance (Amendment) Act, 1941, shall, before the expiration of three months from the commencement of the Insurance (Amendment) Act, 1941, furnish to the] [Authority][such particulars in addition to those already supplied for the purpose of obtaining registration as are required by sub-section (2) of section 70 of this Act as amended by the Insurance (Amendment) Act, 1941.

(2) Every provident society registered under the provisions of the Provident Insurance Societies Act, 1912, shall, before the expiration of three months from the commencement of the Insurance (Amendment) Act, 1941, furnish to the] [Authority][so far as it has not already done so

the documents and information required by clauses (a) and (b) of sub-section (2) of section 70 to accompany an application by a provident society for registration under that section.

(3) When any alteration occurs or is made which affects any of the matters which are required under the provisions of sub-section (2) of section 70 to accompany an application by a provident society for registration under that section, or are to be furnished to the] [Authority][under this section, the provident society shall furnish forthwith to the] [Authority][full particulars duly authenticated of such alteration.]

[71. Certain provisions of Part II to apply to provident societies. - The provisions of] [sub-sections (2) and (3) of section 10, section 20, sub-section (1) of section 27, sections 27-A, 28, 29, 31-A, 31-B, 32, 46 and 53-A][shall apply to provident societies as they apply to insurers, and in such application references to shareholders of an insurer shall be construed as references to members of a provident society] [and references to section 7 or section 98 shall be construed as references to section 73]:

[Provided that a provident society may charge a fee not exceeding one rupee for supplying a copy of any document referred to in sub-section (2) of section 20.]

72. Working capital. - No provident society [* * *] shall be registered unless it has a paid-up capital sufficient to provide as working capital a net sum of not less than five thousand rupees exclusive of deposits made under this Act and exclusive in the case of a company of any expenses incurred in connection with the formation of the company.

73. Deposits. - (1) Every provident society shall, if established before the commencement of this Act within one year from such commencement, or, if established after the commencement of this Act before the society applies for registration under section 70, deposit and keep deposited with the Reserve Bank of India in one of the offices in India of the Bank, for and on behalf of the Central Government, cash or approved securities amounting at the market value of the securities on the date of deposit to five thousand rupees, and shall thereafter [make in each calendar year] a further deposit amounting to not less than one-fifth of the [premium income for the preceding calendar year as shown in the revenue account of the society] (including admission fees and other fees received by the society) until the total amount so deposited and kept is fifty thousand rupees.

(2) The provisions of sub-sections (8), (9) [(9-A), (9-B)] and (10) of section 7 and of sub-section (1) of section 8 [and of section 9] shall apply to the deposits made under this section as they apply to deposits made by an insurer.

[73-A. Restriction on name of provident society. - (1) A provident society shall not be registered by a name identical with that by which an insurer or another provident society in existence is already registered, or so nearly resembling that name as to be calculated to deceive, except when the provident society in existence is in the course of being dissolved and signifies its consent, or the insurer in existence signifies his consent, to the][Authority].

[(2) If a provident society, through inadvertence or otherwise, is without such consent as aforesaid registered by a name identical with that by which an insurer or another provident society already in existence is registered, or so nearly resembling it as to be calculated to deceive, the first-mentioned society shall, if called upon to do so by the][Authority]**[on the application of the insurer or the second-mentioned society, change its name within a time to be fixed by the]**[Authority]:

[Provided that nothing in this section shall apply to any provident society carrying on business before the commencement of the Insurance (Amendment) Act, 1946.]

74. Rules. - (1) Every provident society [* * *] shall in its rules set forth-

- (a) the name, the object and the location of the registered office of the society;**
- (b) the contingencies or classes of contingency on the happening of which money is to be paid;**
- (c) the conditions to be complied with before, and the payments to be made on, admission to the society;**
- (d) the rates of premium or contribution, and the periods for which or the times at which premiums or contributions are payable;**
- (e) the maximum amount payable to a subscriber or policyholder;**
- (f) the nature and amounts of the benefits provided for by the society;**
- (g) the circumstances in which a bonus may be paid to a policyholder;**
- (h) the nature of the evidence required for the proof of the happening of any contingency on which money is to be paid;**
- (i) the circumstances in which policies may be forfeited or renewed or the whole or a part of the premiums paid on a policy may be returned, or 9 surrender value of a policy may**

be granted;

- (j) the penalties for delay in paying or failure to pay premiums or contributions;
- (k) the proportion of the annual income of the society which may be disbursed on and the provisions to be made for meeting the expenses of the management of the society;
- (l) the person or persons who or the authority which shall have power to invest the funds of the society;
- (m) the provisions for appointment of auditors and their remuneration;
- (n) the procedure to be adopted in altering the rules of the society;
- (o) unless these are provided for in the articles of association of a society which is a company incorporated under [the Companies Act, 2013 (18 of 2013)], [or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby,]-
 - (i) the mode of appointment and removal, the qualification and the powers of a director, manager, secretary or other officer of the society;
 - (ii) the manner of raising additional capital; and
 - (iii) the provisions for the holding of general meetings of the members and policy-holders and for the powers to be exercised and the procedure to be followed thereat; and
- (p) such other matters as may be prescribed.

(2) Where the rules of any provident society registered under the Provident Insurance Societies Act, 1912, fail to comply with the provisions of this section, the society shall, before the expiry of twelve months from the commencement of this Act, amend the rules so as to comply with these provisions.

75. Amendment of rules. - (1) No amendment of any rule of a provident society shall be valid until it has been sent to the [Authority] and has been registered by [it].

(2) The [Authority] on being satisfied that the proposed amendment is not contrary to the provisions of this Act shall, unless [it] is of opinion that the amendment unfairly affects the rights of existing members or policy-holders of the society, issue to the society an acknowledgement of the registration of the amended rule.

76. Supply of copy of rules. - Every provident society shall on

demand deliver free of cost to any member of the society a copy of the rules of the society and to any person other than a member a copy of such rules on the payment of a sum not exceeding one rupee.

77. Registered office. - Every provident society [shall have in]**[India][a principal office]** (on the outside of which it shall keep displayed its name in a conspicuous position in legible characters) to which all communications and notices may be addressed, and shall give notice to the **[Authority]** of any change in the location thereof within twenty-eight days of its occurrence.

78. Publication of authorised capital to contain also subscribed and paid-up capital. - Where any notice, advertisement or other official publication of a provident society contains a statement of the amount of the authorised capital of the society, the publication shall also contain a statement of the amount of the capital which has been subscribed and the amount paid-up.

79. Registers and books. - Every provident society [shall keep at its principal office in]**[India]-**

[(a)] such registers in such form as may be prescribed;

[(b)] a cash-book in which shall be entered separately for each class of contingency separately specified in section 65 all sums received and expended by the society and the matters in respect of which the receipt or expenditure takes place;

[(c)] a ledger;

[(d)] a journal.

80. Revenue account, balance-sheet and annual statements. - (1) Every provident society shall at the expiry of the calendar year prepare a revenue account and balance-sheet in the prescribed form verified in the prescribed manner, together with a report on the general state of the society's affairs and shall cause the revenue account and balance-sheet to be audited by an auditor, and the auditor shall, so far as may be, in the audit of a provident society, have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities imposed on, an auditor of companies by section 145 of the **[the Companies Act, 2013 (18 of 2013)]**.

(2) Every provident society shall, at the expiry of the calendar year, prepare with respect to that year-

(a) a statement showing separately for each class of contingency separately specified in section 65-

(i) the number of new policies effected, the total amount insured thereby and the total premium income received in respect thereof and the number of existing policies

discontinued during the year with the total amount insured thereby, and

(ii) the total amount of claims made and the total amount paid in satisfaction thereof;

(b) a statement showing details of every insurance effected on a life other than the life of the person insuring; and

(c) a statement showing the total amount paid as allowances to agents and canvassers.

(3) Until the expiry of two years from the commencement of this Act this section [and section 73] shall apply to provident societies registered before the commencement of this Act under the Provident Insurance Societies Act, 1912, as if the reference to the calendar year were a reference to either the financial year or the calendar year.

81. Actuarial report and abstract. - (1) Every provident society shall once in every five years or at such shorter intervals as may be laid down by the rules of the society cause an investigation to be made [as at the last day of a calendar year] into its financial condition including the valuation of its liabilities and assets by an actuary.

(2) The report of the actuary shall contain an abstract in which shall be stated-

(a) the general principles adopted in the valuation, including the method by which the valuation age of lives was ascertained,

(b) the rate at each age of the mortality and any other factor assumed and the annuity values used in valuation,

(c) the reserve values held against policies effected,

(d) the rate of interest assumed, and

(e) the provision made for expenses, and shall have appended to it a certificate signed by a principal officer of the society that all material necessary for proper valuation has been placed at the disposal of the actuary and that full and accurate particulars of every policy under which there is a liability either actual or contingent have been furnished to the actuary for the purpose of the investigation.

(3) If the actuary finds that the financial condition of the society is such that no surplus exists for distribution as bonus to the policyholders or as dividend to the shareholders, he shall state in his report whether in his opinion the society is insolvent and, if so, whether it should be wound up or not, and the extent to which in

his opinion existing contracts should be modified or existing rates of premium should be adjusted to make good the deficiency in the assets.

82. Submission of returns to [Authority]. - (1) The revenue account and balance-sheet with the auditor's report thereon and the report on the general state of the society's affairs referred to in sub-section (1) of section 80 [shall be printed and four copies of these and of the statements referred to] in sub-section (2) of section 80, shall be furnished as returns to the [Authority] [within six months] from the end of the period to which they relate [* * *].

(2) All the material necessary for the proper valuation of the liabilities of the society under the provisions of section 81 shall be placed at the disposal of the actuary within three months from the end of the period to which such material relates, and the report and abstract referred to in section 81 shall be furnished as a return to the [Authority] within a further period of three months:

[Provided that the Central Government may in any case extend the time allowed by this sub-section for the furnishing of such return by a period not exceeding three months.]

(3) [The provisions of sub-section (2) of section 15 relating to the copies therein referred to shall apply to the returns referred to in] [sub-section (1) of this section][, and] the provisions of section 17 shall apply to the accounts and balance-sheet of a provident society being a company incorporated under [the Companies Act, 2013 (18 of 2013)], [or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby,] as they apply to the accounts and balance-sheet of an insurer, [and the] [Authority] [may exercise, in respect of returns made by a provident society and in respect of an investigation or valuation to which section 81 refers, the same powers as are exercisable by] [it] [under section 21 and section 22, respectively, in the case of an insurer.]

83. Actuarial examination of schemes. - (1) Every provident society, [registered] after the commencement of this Act, shall cause every scheme of insurance which it proposes to put into operation, and every provident society registered before the commencement of this Act under the provisions of the Provident Insurance Societies Act, 1912, [shall cause any scheme which it proposes to put into operation for the first time], after such commencement to be examined by an actuary, and shall not receive any premium or contribution in connection with the scheme until the actuary has certified [that the rates, advantages, terms and conditions of the scheme are workable and sound], and such certificate has been forwarded to the [Authority].

(2) The provisions of sub-section (1) shall apply to any alteration of a scheme already in operation, but the [Authority] may, if [it] is of opinion that the alteration unfairly affects the interests of existing policy-holders, prohibit the alteration, and, if [it] does so, the society shall not put the altered scheme into operation, unless it first discharges to the satisfaction of the [Authority] all its liabilities to those of the existing policy-holders who dissent from the alteration.

(3) Every provident society registered before the commencement of this Act under the provisions of the Provident Insurance Societies Act, 1912, shall, as soon as may be and in any event before the expiry of six months from the commencement of this Act, submit all schemes of insurance which the society has in operation at the commencement of this Act to examination by an actuary [and shall, before the expiration of six months from the commencement of the Insurance (Amendment) Act, 1941, send the report of the actuary] thereon to the [Authority].

(4) The report of the actuary shall state in respect of each scheme whether [the rates, advantages, terms and conditions are workable and sound] and, where no actuarial report such as is referred to in section 81 has been made within the two years preceding the examination, the report shall also state whether the assets of the society are sufficient to meet its liabilities under the existing schemes, and, if not, how in the opinion of the actuary the existing contracts should be modified.

[(5) If the rates, advantages, terms and conditions of any scheme are not reported by the actuary to be workable and sound, the] [Authority][shall give notice to the society prohibiting the scheme, and the society shall not after its receipt of such notice enter into any new contract of insurance under the scheme, but all rights and liabilities in respect of contracts of insurance entered into by the society before receipt of the notice shall, subject to the provisions of sub-section (6), continue as if the notice has not been given.]

(6) Where a scheme is [prohibited] under the provisions of sub-section (5) the society shall, where its assets are sufficient to meet all existing liabilities, set apart out of its assets the sum sufficient in the opinion of the actuary to meet the liabilities incurred under the scheme so [prohibited], and, where its assets are not so sufficient, within three months from the date of the [prohibition], apply to the Court for a modification of its existing contracts or failing such modification for the winding up of the society.

84. Separation of accounts and funds. - Where a provident society effects policies of insurance in connection with more than one of

the classes of contingency separately specified in [sub-section (2) of] section 65, the receipts and payments in respect of each such class shall be recorded in a separate account in the cash-book kept in accordance with section 79.

85. Investment funds. - [* * *]

(2) No funds or investments of a provident society except a deposit made under section 73 [or under the law of any State or country relating to insurance] shall be kept otherwise than in the name of the society [or in the name of a public officer approved by the Central Government].

(3) No loan shall be made out of the assets of a provident society to [any director, manager, managing agent, auditor, actuary, officer or partner of the society], except on the security of a policy of insurance held in the society and within its surrender value and no such loans shall be made to any concern of which [a director, manager, managing agent, actuary, officer or partner of the society is a director, manager, managing agent, actuary, officer or partner]:

[Provided that nothing in this sub-section shall apply to loans made by a provident society to a banking company:

Provided further that where any event occurs giving rise to circumstances, the existence of which at the time of the grant of any subsisting loan would have made such grant a contravention of this sub-section, such loan shall, notwithstanding any contract to the contrary, be repaid within three months from the occurrence of such event or from the commencement of the Insurance (Amendment) Act, 1946, whichever is later; and in case of default, the director, manager, auditor, actuary or partner concerned shall, without prejudice to any other penalty which he may incur, cease to hold office in the society on the expiry of the said three months.]

[(3-A) Any loan prohibited under sub-section (3), made before and outstanding at the commencement of the Insurance (Amendment) Act, 1940, shall be repaid before the 1st day of January, 1941, and in case of default the director, manager, managing agent, auditor, actuary, officer or partner who has received the loan or is connected with the concern which has received the loan, as the case may be, shall cease to hold office in or be a partner of the society and shall be ineligible to hold office in or be a partner of the society until the loan is repaid.]

(4) Any director, [manager, managing agent, auditor, actuary, officer or partner], of a society which contravenes the provisions of sub-section (3), who is knowingly a party to the contravention, shall, without prejudice to any other penalty which he may incur,

be jointly and severally liable to the society for the amount of the loan, and such amount, together with interest from the date of the loan at such rate not exceeding twelve per cent. per annum as the [Authority] may fix, shall on application by the [Authority] to any Civil Court of competent jurisdiction be recoverable by execution as if a decree for such amount had been passed by that Court.

[(5) The provisions of section 86-D of [the Companies Act, 2013 (18 of 2013)], shall not apply to a loan granted to a director of a provident society being a company if the loan is one granted on the security of a policy on which the society bears the risk and the policy was issued to the director on his own life and the loan is within the surrender value of the policy.]

86. Inspection of books. - The books of every provident society shall at all reasonable times be open to inspection by the [Authority] or any person appointed by [it] in this behalf or by any member or policy-holder of the society who [has, on application in this behalf, been permitted by the][Authority][, subject to such condition, if any, as][it][may impose, to make such inspection].

87. Inquiry by or on behalf of [Authority]. - (1) The [Authority] shall at least once in two years and may, if he thinks fit, at any time visit personally [or depute a suitable person to visit the principal office of a provident society or the principal office in][India][of a society having its principal place of business or domicile outside India] and inquire into the [affairs of the society], or may, after giving notice to the society and giving it an opportunity to be heard, direct such an inquiry to be made by an auditor or actuary appointed by [it] [or by both an auditor and an actuary appointed simultaneously, or first by an auditor only or an actuary only and afterwards by an actuary or auditor].

(2) For the purposes of any such inquiry the [Authority] or the auditor or actuary, as the case may be, shall be entitled to examine all books and documents of the society and may demand from the society or any officer of the society such explanations as he may require on any matter relating to the affairs of the society.

[(3) The results of any such inquiry shall be recorded in writing by the person making the inquiry, and four copies of the record shall be supplied to the][Authority][, and when the inquiry is completed, a copy of the record, or of each such record where more than one are made in the course of the same inquiry, shall be sent by the][Authority][to the society concerned and shall be open to inspection by any member or policy-holder of the society.]

[(4) All expenses of and incidental to any inquiry made by an

auditor or actuary under sub-section (1) including any expenses incurred before the date on which the] [Authority] [receives notice of an appeal under clause (e) of sub-section (1) of section 110 shall be defrayed by the provident society, shall have priority over other debts due from the society, and shall be recoverable as an arrear of land-revenue.]

[(5) The] [Authority] [may by notice in writing require the provident society to comply within a time to be specified therein (not being less than fifteen days from the receipt of the notice by the society) with any directions it may issue to remedy defects disclosed by an inquiry under this section.

(6) If the society fails to comply with any directions issued under sub-section (5), the] [Authority] [may, after giving notice to the society and giving it an opportunity to be heard, apply to the Court for the winding up of the society.]

[87A. Amalgamation and transfer of insurance business. - (1) The insurance business or a provident society may be transferred to any person or transferred to or amalgamated with the insurance business of any other provident society in accordance with a scheme prepared under this section and sanctioned by the] [Authority].

[(2) Any scheme prepared under this section shall set out the agreement under which the transfer or amalgamation is proposed to be effected, and shall contain such further provisions as may be necessary for giving effect to the scheme.

(3) Before an application is made to the] [Authority] [to sanction any such scheme, notice of the intention to make the application together with a statement of the nature of the amalgamation or transfer, as the case may be, and of the reason therefor, shall, at least two months before the application is made, be sent to the] [Authority] [and certified copies, four in number, of each of the following documents shall be furnished to] [it] [, and other such copies shall, during the two months aforesaid, be kept open for the inspection of the members and policy-holders at the principal and branch offices of the provident societies concerned, namely:-

- (a) a draft of the agreement or deed under which it is proposed to effect the amalgamation or transfer,
- (b) balance-sheets in respect of the insurance business of each of the provident societies concerned in such amalgamation or transfer,
- (c) actuarial reports and abstracts in respect of the insurance business of each of the provident societies so concerned,
- (d) a report on the proposed amalgamation or transfer prepared

by an independent actuary,

- (e) any other reports on which the scheme of amalgamation or transfer was founded, and the balance-sheets, reports and abstracts referred to in clauses (b), (c) and (d) shall all be prepared as at the date at which the amalgamation or transfer is sanctioned by the] [Authority][is to take effect, which date shall not be more than twelve months before the date on which the application to the] [Authority][is made under this section:

Provided that the] [Authority][may exempt the provident society or societies concerned from furnishing to] [it][and from keeping open for inspection any one or more of the above documents.

(4) When any application such as is referred to in sub-section (3) is made to the] [Authority] [it][may require, if for special reasons] [it][so directs, notice of the application to be sent to every person resident in India who is the holder of a policy of any provident society concerned and may cause a statement of the nature and terms of the amalgamation or transfer, as the case may be, to be published in such manner and for such periods as] [it][may direct, and after hearing the societies concerned, such policy-holders as apply to be heard and such other persons as] [it][may deem fit, may sanction the arrangement, if] [it][is satisfied that no sufficient objection to the arrangement has been established and shall make such consequential orders as are necessary to give effect to the arrangement including orders as to the disposal of any deposit made under section 73:

Provided that-

- (a) no part of the deposit made by any party to the amalgamation or transfer shall be returned except where, after effect is given to the arrangement the whole of the deposit to be made by the provident society carrying on the amalgamated business or the person to whom the business is transferred is completed;
- (b) only so much shall be returned as is no longer required to complete the deposit last mentioned in clause (a);
- (c) while the deposit last mentioned in clause (a) remains uncompleted, no accession, resulting from the arrangement, to the amount already deposited by the provident society carrying on the amalgamated business or the person to whom the business is transferred shall be appropriated as payment or part payment of any instalment of deposit subsequently

due from it or him under section 73.

(5) A copy of the order under sub-section (4) sanctioning or refusing to sanction the arrangement shall be sent to each of the societies concerned and to each of the policy-holders who applied to be heard.

(6) If the scheme involves a reduction of the amount of the insurance and other contracts of the transfer or society or of any or all of the societies concerned in the amalgamation, the] [Authority][may sanction the scheme, reducing the amount of such contracts upon such terms and subject to such conditions as he may think proper, and the reduction of the contracts as sanctioned by the] [Authority][shall be valid and binding on all the parties concerned.]

88. Winding up by Court and voluntary winding up. - (1) The Court may order the winding up of a provident society being a company incorporated under [the Companies Act, 2013 (18 of 2013)], or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, [or under any Act repealed thereby], and the provisions of [the Companies Act, 2013 (18 of 2013)], shall, subject to the provisions of this Part, apply accordingly.

[(2) In addition to the grounds on which such an order may be based, the Court may order the winding up of a provident society if the] [Authority] [, who is hereby authorised to do so, applies in this behalf to the Court on any of the following grounds, namely:-

- (a) that the registration of the society has been cancelled under sub-section (4) of section 70;**
- (b) that it appears from the returns furnished under the provisions of this Act or as the result of an inquiry made under section 87 that the society is insolvent;**
- (c) that the continuance of the society is prejudicial to the interests of the policy-holders.]**

(3) A provident society being a company incorporated under [the Companies Act, 2013 (18 of 2013)], or under the Indian Companies Act, 1882, [or under the Indian Companies Act, 1866, or under any Act repealed thereby], may be wound up voluntarily in accordance with the provisions of [the Companies Act, 2013 (18 of 2013)], but shall not be so wound up except for the purpose of effecting an amalgamation or reconstruction of the society or on the ground that by reason of its liabilities it cannot continue its business.

(4) A provident society not being a company incorporated under [the Companies Act, 2013 (18 of 2013)], or under the Indian Companies Act, 1882, [or under the Indian Companies Act, 1866,

or under any Act repealed thereby], may be wound up voluntarily under this Act, if a resolution is passed by the proprietors that the society should be wound up voluntarily for the purpose or on the ground specified in sub-section (3), and the [Authority] may, in any case where it has ordered the cancellation of the registration of a society under sub-section (4) of section 70, order the winding up of the society under this Act.

89. Reduction of insurance contracts. - The Court may make an order reducing the amount of the insurance contracts of a provident society upon such terms and subjects to such conditions as the Court thinks just-

- (a) if the [Authority] as an alternative to cancelling the registration of a society under sub-section (4) of section 70 applies to the Court in this behalf;
- (b) if while a society is in liquidation the Court thinks fit;
- (c) if when a society has been proved to be insolvent, the Court thinks fit to do so in place of making an order for the winding up of the society; or
- (d) if the Court is satisfied on an application made in this behalf by the society supported by the report of an actuary, and after giving the policy-holders an opportunity to be heard that it is desirable to do so.

90. Appointment of liquidator. - (1) Where a provident society is to be wound up whether under [the Companies Act, 2013 (18 of 2013)], or under this Act, the society shall, within seven days from the date of the order of the Court ordering the winding up or the passing of the resolution authorising the winding up, as the case may be, give notice thereof to the [Authority], and, except where the winding up is done by an order of the Court, the [Authority] shall appoint the liquidator and shall determine the remuneration to be paid to him:

[Provided that if the][Authority][is not satisfied that the assets of the society are sufficient to meet the costs of liquidation including the remuneration of the liquidator,] [it][may decline to make such appointment, and in such a case the society shall itself appoint a liquidator who shall carry out the liquidation as if the winding up was being done by an order of the Court.]

(2) Any liquidator [appointed by the][Authority][under sub-section (1)] may be removed by the [Authority] if satisfied that the duties entrusted to him are not being properly discharged.

[90A. Application of Act to liquidators. - Notwithstanding anything to the contrary contained in [the Companies Act, 2013 (18 of

2013)], the provisions of sections 91, 92 and 93 shall apply to any liquidator appointed to wind up a provident society, whether by the Court, the][Authority][or the society itself.]

91. Powers of liquidator. - (1) A liquidator appointed to wind up a society shall have power-

- (a) to institute or defend any legal proceedings on behalf of the society by his name of office;**
- (b) to determine the contribution to be made by members of the society respectively to the assets of the society;**
- (c) to investigate all claims against the society and to decide questions of priority arising between claimants;**
- (d) to determine by what persons and in what proportion the costs of the liquidation [including the remuneration of the liquidator and any expenses incurred under clause (g) of this sub-section] are to be borne;**
- (e) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society;**
- (f) to summon, and enforce the attendance of, witnesses and to compel the production of documents by the same means and as far as may be in the same manner as is provided in the case of a Civil Court by the Code of Civil Procedure, 1908; [* * *]**
- (g) with the sanction of the [Authority] to employ such establishment and to obtain such assistance from an actuary or an auditor as may be necessary for the discharge of his duties;**
- [(h) to sell the immovable and movable property of the society by public auction or private contract, with power to transfer the whole thereof to any person or society or to sell the same in parcels.]**

(2) The liquidator shall, for settling the list of contributories and realising the amount of contributions, have the same powers as an official liquidator appointed by the Court for the winding up of a company under the [the Companies Act, 2013 (18 of 2013)].

92. Procedure at liquidation. - (1) As soon as a liquidator is appointed to wind up a society he shall take charge of all property movable or immovable of the society and of all its books and documents.

(2) If any proprietor or officer of the society or any other person retains any portion of the assets of the society or fails to deliver to

the liquidator any book or document when so required by the liquidator, he shall be punishable with imprisonment which may extend to six months, or with fine which may extend to five hundred rupees, or with both, and the Court may order the delivery of the assets or book or document to the liquidator.

(3) The liquidator shall within fifteen days of his appointment send notice by post to all persons who appear to him to be creditors of the society that a meeting of the creditors of the society will be held on a date not being less than twenty-one nor more than twenty-eight days after his appointment, and at a place and hour to be specified in the notice, and shall also advertise notice of the meeting once in the local Official Gazette and once at least in two newspapers circulating in the State in which the society is situated.

(4) At the meeting so held the creditors shall determine whether an application shall be made for the appointment of any person as liquidator in the place of or jointly with the liquidator already appointed, or for the appointment of a committee of inspection, and, if they so resolve and an application accordingly is made at any time not later than fourteen days after the date of the meeting by any creditor appointed for the purpose at the meeting, [the] [Authority] may, if [it] thinks fit, appoint a suitable person in place of or jointly with the liquidator already appointed, and, [determine the remuneration to be paid to him] [and if] [it] [considers it desirable, may also appoint a committee of inspection.]

(5) The committee of inspection shall, subject to any prescribed conditions, have a general power of supervision over the acts of the liquidator and shall have the right to inspect his accounts at all reasonable times.

(6) The liquidator shall, with such assistance from an actuary as may be required, ascertain as soon as practicable the amount of the society's liability to every person appearing by the society's books to be entitled to or interested in any policy issued by the society, and shall give notice of the amount so found to each such person in the prescribed manner and each such person on receiving such notice shall be bound by the value so ascertained.

(7) The liquidator shall make a valuation of the assets of the society and an estimate of the costs of the winding up, and shall on the basis of these settle the list of contributories.

(8) The liquidator shall apply to the [Authority] for an order for the return of the deposit made by the society under section 73 and the [Authority] shall on such application order the return of the deposit subject to such terms and conditions as [it] may think fit.

(9) In administering and distributing the assets of the society the

liquidator shall have regard to any directions that may be given by the creditors or contributories at a general meeting or by the [Authority].

(10) The liquidator shall keep books of account in which he shall record the proceedings at all meetings attended by him, all amounts received or expended by him and any other matter that may be prescribed, and these books may, with the sanction of the [Authority]

(11) If the winding up continues for more than a year, the liquidator shall summon a meeting of the creditors and contributories at the end of the first year and of each succeeding year, and shall lay before them an account of his acts and dealings and of the conduct of the winding up, and that account together with any views expressed thereon by the meeting shall be forwarded by the liquidator [within one week after the meeting] to the [Authority]

(12) So far as is not otherwise provided herein or is not otherwise prescribed under this Act, the liquidator shall so far as practicable follow the procedure to be followed by an official liquidator appointed by the Court for the winding up of a company under the [the Companies Act, 2013 (18 of 2013)].

[(13) The costs of the liquidation including the remuneration of the liquidator and any expenses incurred under clause (g) of sub-section (1) of section 91 shall, if the liquidator decides that they shall be payable out of the assets of the society, be payable in priority to all other claims.]

93. Dissolution of provident society. - (1) As soon as the affairs of a provident society are fully wound up, the liquidator shall prepare an account of the winding up showing how the winding up has been conducted and the property of the society has been disposed of and shall call a meeting of the members, creditors and contributories for the purpose of laying before it the account and giving any explanation thereof.

(2) Notice of the meeting shall be sent to each person individually and shall be advertised in the local Official Gazette and in at least two newspapers circulating in the State in which the society is situated.

(3) Within one week after the meeting the liquidator shall send to the [Authority] a copy of the account and shall report to [it] the holding of the meeting and its date and shall forward to [it] a copy of the proceedings of the meeting.

(4) The [Authority][Authority] (5) If the [Authority] is satisfied that the affairs of the society have been fully wound up [it] shall register the account of the liquidator who shall forthwith make over to the [Authority] sums, if any, remaining undisposed of and on the expiry of three months from the registering of the account,

the [Authority] shall declare the society dissolved and cause the dissolution of the society to be notified in the local Official Gazette, and the liquidator shall thereupon be discharged from further responsibility.

(6) If within a period of five years from the date on which any sums have been made over to the Authority under sub-section (5) an order of a Court of competent jurisdiction has not been obtained at the instance of any claimant to such sums for their disposal, the said sums shall become the property of Government.

94. Nominations and assignments. - (1) The provisions of section 38 and section 39 relating to assignment, transfer and nomination in the case of life insurance policies shall, subject to the provisions of this section, apply to policies of insurance issued by any provident society covering any of the contingencies specified in clause (a) [of sub-section (2)] of section 65.

[*]**

[PART III-A

Insurance Co-Operative Societies

94A. Insurance co-operative society to be an insurer. - (1) Every insurance co-operative society shall be deemed to be an insurer for the purposes of this Act.

(2) Save as otherwise provided in this Act, all the provisions applicable to an insurer being an Indian insurance company shall, so far as may be, apply to an insurance co-operative society:

Provided that the Authority may, by notification, direct that any of the provisions of this Act,-

(a) shall not apply to any insurance co-operative society; or

(b) shall apply to any insurance co-operative society only with such exceptions, modifications and adaptations as may be specified in the notification.

(3) A copy of every notification proposed to be issued under proviso to sub-section (2), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.]

PART IV

Mutual Insurance Companies And Co-Operative Life Insurance Societies

95. Definitions. - (1) [In this Part, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999,-]

(a) "Mutual Insurance Company" means an insurer, being a company incorporated under [the Companies Act, 2013 (18 of 2013)], or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act, repealed thereby, which has no share capital and of which by its constitution only and all policy-holders are members; and

(b) "Co-operative Life Insurance Society" means an insurer being a society registered under the Co-operative Societies Act, 1912, or under an Act of a [State] Legislature governing the registration of co-operative societies which carries on the business of life insurance and which has no share capital on which dividend or bonus is payable and of which by its constitution only original members on whose application the society is registered and all policy-holders are members:

Provided that any Co-operative Life Insurance Society in existence at the commencement of this Act shall be allowed a period of one year to comply with the provisions of this Act.

(2) Notwithstanding anything contained in sub-section (1), other co-operative societies may be admitted as members of a Co-operative Life Insurance Society, without being eligible to any dividend, profit or bonus.

(3) A State Government may, subject to any rules made by the Central Government, empower the Registrar of Co-operative Societies of the State to register co-operative societies for the insurance of cattle or crops or both under the provisions of the Co-operative Societies Act in force in the State.

(4) A State Government may make rules not inconsistent with any rules made by the Central Government to govern such societies, and the provisions of this Act, in so far as they are inconsistent with those rules, shall not apply to such societies.

96. Application of Act to Mutual Insurance Companies and Co-operative Life Insurance Societies. - The provisions of sections 6 and 7 and of sub-section (2) of section 20, so far as those provisions are inconsistent with the provisions of this Part, shall not apply, and the provisions of this Part shall apply, to [* * *] Co-

operative Life Insurance Societies.

97. Working capital of Mutual Insurance Companies and Co-operative Life Insurance Societies. - [No Co-operative Life Insurance Society registered after the 26th day of January, 1937], under the Co-operative Societies Act, 1912, or under an Act of a State Legislature, governing the registration of co-operative societies shall be registered under this Act, unless it has as working capital a sum of fifteen thousand rupees, exclusive of the deposit to be made before or at the time of application for registration in accordance with sub-section (2) of section 98 of this Act and of the preliminary expenses, if any, incurred in the formation of the company or society.

98. Deposits to be made by Mutual Insurance Companies and Co-operative Life Insurance Societies.- (1) Every [* * *] Co-operative Life Insurance Society shall, in respect of the life insurance business carried on by it in the States, deposit and keep deposited with one of the offices in India of the Reserve Bank of India, for and on behalf of the Central Government, a sum of two hundred thousand rupees in cash or in approved securities estimated at the market value of the securities on the day of deposit.

(2) The deposit referred to in sub-section (1) may be made in instalments, of which the first shall be a payment, made before or at the time the application for registration under this Act is made, [of not less than twenty-five thousand rupees] or such sum as with any deposit previously made by the insurer under the provisions of the Indian Life Assurance Companies Act, 1912, brings the amount deposited [up to not less than twenty-five thousand rupees] and the subsequent instalments shall be annual instalments made before the expiry of each subsequent [calendar year] of an amount in cash or in approved securities estimated at the market value of the securities on the day of payment of the instalment, [equal to not less than one-third of the][premium income in the preceding calendar year as shown in the revenue account].

[(3) The provisions of sub-section (7) of section 7 shall apply in respect of][* * *] [a Co-operative Life Insurance Society as if for the words "under the foregoing provisions of this section" the words and figures "under the provisions of section 98" were substituted.]

[98A. Prohibition of loans. - The provisions of section 29 shall apply to Co-operative Life Insurance Societies as they apply to other insurers,][* * *].

99. Transferees and assignees of policies not to become members. - No transferee or assignee of a policy issued by an

insurer to whom this Part applies shall become a member of a Mutual Insurance Company or a Co-operative Life Insurance Society merely by reason of any such transfer or assignment.

100. Publication of notices and documents of Mutual Insurance Companies and Co-operative Life Insurance Societies. - Notwithstanding the provisions of section 79 and section 131 of [the Companies Act, 2013 (18 of 2013)], a Mutual Insurance Company or a Co-operative Life Insurance Society may, instead of sending the notices and the copies of the balance-sheet, revenue account and other documents which they are required to send to the members under those sections, [publish such notice together with a summary in the prescribed form of the balance-sheet and revenue account] once in a newspaper published in the English language and in a newspaper published in an Indian language circulating in the place where the principal office of the company is situated:

Provided that, where any members of the company are domiciled in a State other than that in which the principal office of the company is situated, publication of the [* * *] notice of the meetings shall be made in a newspaper or newspapers published in the principal languages of that State and circulating therein [and any member of the company domiciled in that State shall be entitled on application to the company to receive from it a copy of the balance-sheet and revenue account].

101. Supply of documents to members. - Every Mutual Insurance Company and every Co-operative Life Insurance Society shall, on the application of any member made within two years from the date on which any such document is furnished to the Registrar of Companies under the provisions of section 134 of [the Companies Act, 2013 (18 of 2013)], or to the Registrar of Co-operative Societies of the State in which the Co-operative Life Insurance Society is registered, furnish a copy of the document free of cost to the member within fourteen days of the application.

[PART IV-A]

RE-INSURANCE

101A. Re-insurance with Indian re-insurers. - (1) Every insurer shall re-insure with Indian re-insurers such percentage of the sum assured on each policy as may be specified by the [the Authority with the previous approval of Central Government] under sub-section (2).

(2) For the purposes of sub-section (1), [the Authority] may, by notification in the Official Gazette,-

- (a) specify the percentage of the sum assured on each policy to be re-insured and different percentages may be specified for different classes of insurance:

Provided that no percentage so specified shall exceed thirty per cent. of the sum assured on such policy; and

- (b) also specify the proportions in which the said percentage shall be allocated among the Indian re-insurers.

(3) Notwithstanding anything contained in sub-section (1), an insurer carrying on fire insurance business in India may, in lieu of re-insuring the percentage specified under sub-section (2) of the sum assured on each policy in respect of such business, re-insure with Indian re-insurers such amount out of the first surplus in respect of that business as he thinks fit, so, however, that, the aggregate amount of the premiums payable by him on such re-insurance in any year is not less than the said percentage of the premium income (without taking into account premiums on re-insurance ceded or accepted) in respect of such business during that year.

Explanation .-For the purposes of this sub-section, the year 1961 shall be deemed to mean the period from the 1st April to the 31st December of that year.

(4) A notification under sub-section (2) may also specify the terms and conditions in respect of any business of re-insurance required to be transacted under this section and such terms and conditions shall be binding on Indian re-insurers and other insurers.

(5) No notification under sub-section (2) shall be issued except after consultation with the Advisory Committee constituted under section 101-B.

(6) Every notification issued under this section shall be laid before each House of Parliament, as soon as may be, after it is made.

(7) For the removal of doubts, it is hereby declared that nothing in sub-section (1) shall be construed as preventing an insurer from re-insuring with any Indian re-insurer or other insurer the entire sum assured on any policy or any portion thereof in excess of the percentage specified under sub-section (2).

(8) In this section,-

- (i) "policy" means a policy issued or renewed on or after the 1st day of April, 1961, in respect of general insurance business transacted in India and does not include a re-insurance policy; and

[(ii) "Indian re-insurer" means an Indian insurance company which has been granted a certificate of registration under sub-section (2-A) of section 3 by the Authority to carry on exclusively the re-insurance business in India.]

101B. Advisory Committee. - (1) [The Authority with the previous approval of the Central Government] shall, for the purposes of section 101-

A, constitute an Advisory Committee consisting of not more than five persons having special knowledge and experience of the business of insurance.

(2) The term of office of, and the allowances payable to, members of the Advisory Committee, the procedure to be followed by, and the quorum necessary for the transaction of business of, the Committee and the manner of filling casual vacancies therein shall be such as may be [determined by the regulations made by the Authority.]

[101C. Examination of re-insurance treaties. - The][Authority][may, at any time,-

- (a) call upon an insurer to submit for] [its][examination at the principal place of business of the insurer in India all re-insurance treaties and other re-insurance contracts entered into by the insurer;
- (b) examine any officer of the insurer on oath in relation to any such document as is referred to in clause (a) above; or
- (c) by notice in writing, require any insurer to supply][it] [with copies of any of the documents referred to in clause (a), certified by a principal officer of the insurer.]

PART V

Miscellaneous

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

- (a) to furnish any document, statement, account, return or report to the Authority, fails to furnish the same; or
- (b) to comply with the directions, fails to comply with such directions;
- (c) to maintain solvency margin, fails to maintain such solvency margin;
- (d) to comply with the directions on the insurance treaties, fails to comply with such directions on the insurance treaties, he shall be liable to a penalty [of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less].

[103. Penalty for carrying on insurance business in contravention of section 3. - If a person carries on the business of insurance without obtaining a certificate of registration under section 3, he shall be liable to a penalty not exceeding rupees twenty-five crores and with imprisonment which may extend to ten years.

104. Penalty for contravention of sections 27, 27A, 27B, 27D and 27E. - If a person fails to comply with the provisions of section 27, section

27A, section 27B, section 27D and section 27E, he shall be liable to a penalty not exceeding twenty-five crore rupees.]

105. Wrongfully obtaining or withholding property. - If any director, managing director, manager or other officer or employee of an insurer wrongfully obtains possession of any property or wrongfully applies to any purpose of the Act, he shall be liable to a penalty [not exceeding one crore rupees].

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

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

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

Explanation .-For the purposes of this section,-

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

(i) a firm; and

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

(b) "director", in relation to-

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

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

[105B. Penalty for failure to comply with sections 32B, 32C and 32D. - If an insurer fails to comply with the provisions of section 32B, section 32C and section 32D, he shall be liable to a penalty not exceeding twenty-five crore rupees.

105C. Power to adjudicate. - (1) For the purpose of adjudication under sub-section (2) of section 2CB, sub-section (4) of section 34B, sub-section (3) of section 40, sub-section (2) of section 41, sub-sections (4) and (5) of section 42, sub-sections (8) and (9) of section 42D, section 52F and section 105B, the Authority, shall appoint any officer not below the rank of a Joint

Director or an equivalent officer to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard.

(2) Upon receipt of the inquiry report from the officer so appointed, the Authority, after giving an opportunity of being heard to the person concerned, may impose any penalty provided in sections aforesaid.

(3) While holding an inquiry, the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject matter of the inquiry and if on such inquiry, is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may recommend such penalty as he thinks fit in accordance with the provisions of any of those sections.

105D. Factors to be taken into account by the adjudicating officer. - While recommending the quantum of penalty under section 105C, the adjudicating officer and while imposing such penalty, the Authority shall have due regard to the following factors, namely:-

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to the policyholders as a result of the default; and
- (c) the repetitive nature of default.]

[106. Power of Court to order restoration of property of insurer or compensation in certain cases. - (1) If, on the application of the] [Authority] [or an Administrator appointed under section 52-A or an insurer or any policy-holder or any member of an insurance company or the liquidator of an insurance company (in the event of the insurance company being in liquidation), the Court is satisfied-

- (a) that any insurer (including in any case where the insurer is an insurance company any person who has taken part in the promotion or formation of the insurance company or any past or present director, managing agent, manager, secretary or liquidator) or any officer, employee or agent of the insurer,-
 - (i) has mis-applied or retained or become liable or become accountable for any money or property of the insurer; or
 - (ii) has been guilty of any misfeasance or breach of trust in relation to the insurer; or
- (b) that any person, whether he is or has been in any way connected with the affairs of the insurer or not, is in wrongful possession of any money or property of the insurer or having any such money or property in his

possession wrongfully withholds it or has converted it to any use other than that of the insurer; or

(c) that by reason of any contravention of the provisions of this Act, the amount of the life insurance fund has been diminished, the Court may examine any such insurer, director, managing agent, manager, secretary or liquidator or any such officer, employee or agent of the insurer or such other person, as the case may be, and may compel him to contribute such sums to the assets of the insurer by way of compensation in respect of the misapplication, retainer, misfeasance or breach of trust as the Court thinks fit, or to pay such sum as may be found due from him in respect of any money or property of the insurer for which he is liable or accountable or to restore any money or property of the insurer or any part thereof, as the case may be; and where the amount of the life insurance fund has been diminished by reason of any contravention of the provisions of this Act, the Court shall have power to assess the sum by which the amount of the fund has been diminished and to order the person guilty of such contravention to contribute to the fund the whole or any part of that sum by way of compensation; and in any of the aforesaid cases the Court shall have power to order interest to be paid at such rate and from such time as the Court may deem fit.

(2) Without prejudice to the provisions contained in sub-section (1) or sub-section (3), where it is proved that any money or property of an insurer has disappeared or has been lost, the Court shall presume that every person in charge of, or having a disposing power over, such money or property at the relevant time (whether a director, manager, principal officer or any other officer) has become accountable for such money or property within the meaning of sub-clause (i) of clause (a) of sub-section (1), and the provisions of that sub-section shall apply accordingly, unless such person proves that the money or property has been utilised or disposed of in the ordinary course of the business of the insurer and for the purpose of that business or that he took all reasonable steps to prevent the disappearance or loss of such money or property or otherwise satisfactorily accounts for such disappearance or loss.

(3) Where the insurer is an insurance company and any of the acts referred to in clauses (a), (b) and (c) of sub-section (1) has been committed by any person, every person who was at the relevant time a director, managing agent, manager, liquidator, secretary or other officer of the insurance company shall, for the purposes of that sub-section, be deemed to be liable for that act in the same manner and to the same extent as the person who has committed the act, unless he proves that the act was committed without his consent or connivance and was not facilitated by any neglect or omission on his part.

(4) Where at any stage of the proceedings against any person under this section (hereinafter referred to as the delinquent), the Court is satisfied by affidavit or otherwise-

- (a) that a *prima facie* case has been made out against the delinquent; and
- (b) that it is just and proper so to do in the interests of the policy-holders of an insurer or of the members of an insurance company, the Court may direct the attachment of-
 - (i) any property of the insurer in the possession of the delinquent;
 - (ii) any property of the delinquent which belongs to him or is deemed to belong to him within the meaning of sub-section (5);
 - (iii) any property transferred by the delinquent within two years before the commencement of proceedings under sub-section (1) or during the pendency of such proceedings, if the Court is satisfied by affidavit or otherwise that the transfer was otherwise than in good faith and for consideration.

(5) For the purposes of sub-section (4), the following classes of property shall be deemed to belong to a delinquent:-

- (a) any property standing in the name of any person which by reason of the person being connected with the delinquent, whether by way of relationship or otherwise, or on account of any other relevant circumstances appears to belong to the delinquent;
- (b) the property of a private company in respect of the affairs of which the delinquent, by himself or through his nominees, relatives, partners or persons interested in any shares of the company is able to exercise or is entitled to acquire control, whether direct or indirect.

Explanation .-For the purposes of this section a person shall be deemed to be a nominee of a delinquent, if, whether directly or indirectly, he possesses on behalf of the delinquent, or may be required to exercise on the direction or on behalf of the delinquent, any right or power which is of such a nature as to enable the delinquent to exercise or to entitle the delinquent to acquire control over the company's affairs.

(6) Any claim to any property attached under this section or any objection to such attachment shall be made by an application to the Court, and it shall be for the claimant or objector to adduce evidence to show that the property is not liable to attachment under this section, and the Court shall proceed to investigate the claim or objection in a summary manner.

(7) When disposing of an application under sub-section (1), the Court shall, after giving all persons who appear to it to be interested in any property attached under this section an opportunity of being heard, make such order as it thinks fit respecting the disposal of any such property for the purpose

of effectually enforcing any liability under this section, and all such persons shall be deemed to be parties to the proceedings under this section.

(8) In any proceedings under this section the Court shall have full power and exclusive jurisdiction to decide all questions of any nature whatsoever arising thereunder and, in particular, with respect to any property attached under this section, and no other Court shall have jurisdiction to decide any such question in any suit or other legal proceeding.

(9) In making any order with respect to the disposal of the property of any private company referred to in clause (b) of sub-section (5), the Court shall have due regard to the interests of all persons interested in such property other than the delinquent and persons referred to in that clause.

(10) This section shall apply notwithstanding that the act is one for which the person concerned may be criminally liable.

(11) In proceedings under this section the Court shall have all the powers which a Court has under section 237 of the][the Companies Act, 2013 (18 of 2013)].

[(12) This section shall apply in respect of a provident society as defined in Part III as it applies in respect of an insurer.

(13) On and from the] [commencement][of the Insurance (Second Amendment) Act, 1955, the Court entitled to exercise jurisdiction under this section shall be the High Court within whose jurisdiction the registered office of the insurer is situate (hereinafter referred to as the High Court) and any proceedings under this section pending at such commencement in any Court other than the High Court shall, on such commencement, stand transferred to the High Court.

(14) The High Court may make rules providing for-

(a) the manner in which enquiries and proceedings may be held under this section;

(b) any other matter for which provision has to be made for enabling the High Court to effectively exercise its jurisdiction under this section.]

[106A. Notice to and hearing of] [Authority] [.-(1) When application is made to the Court for the making of any order to which this section applies, the Court shall, unless the] [Authority][has] [itself][made the application or has been made a party thereto, send a copy of the application together with intimation of the date fixed for the hearing thereof to the] [Authority][, and shall give] [it][an opportunity of being heard.

(2) The orders to which this section applies are the following, namely:-

[* * *]

(c) an order under section 36 sanctioning any arrangement for the transfer or amalgamation of life insurance business or any order consequential thereon;

(d) an order for the winding up of an insurance company [* * *];

(e) an order under section 58 confirming a scheme for the partial winding up of an insurance company;

[* * *]]

107. Previous sanction of Advocate-General for institution of proceedings. - [* * *]

107A. Chairman, etc., to be public servants. - [* * *]

108. Power of Court to grant relief. - If in any proceedings, civil or criminal, it appears to the Court hearing the case that a person is or may be liable in respect of negligence, default, breach of duty or breach of trust but that he has acted honestly and reasonably and that having regard to all the circumstances of the case he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, the Court may relieve him either wholly or partly from his liability on such terms as it may think fit.

[109. Cognizance of offence. - No court shall take cognizance of any offence punishable under this Act or any rules or any regulations made thereunder, save on a complaint made by an officer of the Authority or by any person authorised by it.]

[110. Appeal to Securities Appellate Tribunal. - (1) Any person aggrieved-

(a) by an order of the Authority made on and after the commencement of the Insurance Laws (Amendment) Act, 2015, or under this Act, the rules or regulations made thereunder; or

(b) by an order made by the Authority by way of adjudication under this Act,

may prefer an appeal to the Securities Appellate Tribunal having jurisdiction in the matter.

(2) Every appeal made under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order made by the Authority is received by him and it shall be in such a form and be accompanied by such fees as may be prescribed:

Provided that the Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(3) On receipt of an appeal under sub-section (1), the Securities Appellate Tribunal may, after giving parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, conforming, modifying or setting aside the order appealed against.

(4) The Securities Appellate Tribunal shall make available copy of order made by it to the Authority and parties.

(5) The appeal filed before the Securities Appellate Tribunal under sub-section (1) shall be dealt with by it as expeditiously as possible and

endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of appeal.

(6) The procedure for filing and disposing of an appeal shall be such as may be prescribed.

(7) The provision contained in section 15U, section 15V, section 15W, section 15Y and section 15Z of the Securities and Exchange Board of India Act, 1992 shall apply to the appeals arising out of the provisions of this Act, as they apply to the appeals under the Securities and Exchange Board of India Act, 1992.]

[110A. Delegation of powers and duties of]**[Chairperson of the Authority]** [-The]**[Chairperson of the Authority]****[may by general or special order delegate any of his powers or duties under this Act to any person subordinate to him. The exercise or discharge of any of the powers or duties so delegated shall be subject to such restrictions, limitations and conditions, if any, as the]** **[Chairperson of the Authority]****[may impose, and shall be subject to his control and revision.**

110B. Signature of documents. - Every document which is required by this Act or by any rule made thereunder to be signed by the] **[Chairperson of the Authority]****[or by any person subordinate to him or by any officer authorised by him under sub-section (1) of section 42 shall be deemed to be properly signed, if it bears a facsimile of the signature of such]** **[Chairperson of the Authority]****[, person or officer printed, engraved, lithographed or impressed by any other mechanical process approved by the Central Government.]**

[110C. Power to call for information. - (1) The]**[Chairperson of the Authority]****[may, by notice in writing, require any insurer to supply him with any information relating to his insurance business, and the insurer shall comply with such requirement within such period after receipt of the notice as may be specified therein.**

(2) Any information supplied under this section shall be certified by a principal officer of the insurer and if the notice so requires also by an auditor.]

[110D. Certain claims for compensation barred. - No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any of the provisions contained in section 34 or section 34-A or section 34-E or section 37-A or by reason of the compliance by an insurer with any order or direction given to him under this Act.

110E. Sections 3-A, 27-B, 28-B, 33, etc., to apply to general insurance business of the Life Insurance Corporation of India. - [* * *]

110F. Provisions applicable to State Governments, etc. - The provisions of sections 3, 3-A, 27-B, 28-B, 33, 34, clause (a) of sections 34-E, 34-F, 40-A, 40-C, 44-A, 64-U to 64-UM (both inclusive), 64-V, 64-VA, 64-

VB, 64-VC and 101-A, 101-C, 110-D, 110-G and 110-H shall, notwithstanding any exemption granted under section 118, also apply, so far as may be, to and in relation to the general insurance business carried on by a State Government or a Government company as defined in section 617 of [the Companies Act, 2013 (18 of 2013)].

110G. Constitution of Consultative Committee. - [* * *]

110H. Appeals. - [* * *]

[110HA. Penalty to be recoverable as arrear of land revenue. - Any penalty imposed by the Authority under this Act shall be recoverable as an arrear of land revenue.]

111. Service of notices. - (1) Any process or notice required to be served on an insurer [* * *] shall be sufficiently served if addressed to any person registered with the [Authority] as a person authorised to accept notices on behalf of the insurer [* * *] and left at, or sent by registered post to, the address of such person as registered with the [Authority].

(2) Any notice or other document which is by this Act required to be sent to any policy-holder may be addressed and sent to the person to whom notices respecting such policy are usually sent and any notice so addressed and sent shall be deemed to be notice to the holder of such policy:

Provided that, where any person claiming to be interested in a policy as transferee, assignee or nominee has given to an insurer [* * *] notice in writing of his interest, any notice which is by this Act required to be sent to policy-holders shall also be sent to such person at the address specified by him in his notice.

112. Declaration of *interim* bonuses. - Notwithstanding anything to the contrary contained in this Act, an insurer carrying on the business of life insurance shall be at liberty to declare an *interim* bonus or bonuses to policy-holders whose policies mature for payment by reason of death or otherwise during the intervaluation period on the recommendation of the investigating actuary made at the last preceding valuation.

[113. Acquisition of surrender value by policy. - (1) A policy of life insurance shall acquire surrender value as per the norms specified by the regulations.

(2) Every policy of life insurance shall contain the formula as approved by the Authority for calculation of guaranteed surrender value of the policy.

(3) Notwithstanding any contract to the contrary, a policy of life insurance under a non-linked plan which has acquired a surrender value shall not lapse by reason of non-payment of further premiums but shall be kept in force to the extent of paid-up sum insured, calculated by means of a formula as approved by the Authority and contained in the policy and the reversionary bonuses that have already been attached to the policy:

Provided that a policy of life insurance under a linked plan shall be kept in force in the manner as may be specified by the regulations.

(4) The provisions of sub-section (3) shall not apply-

- (i) where the paid-up sum insured by a policy, inclusive of attached bonuses, is less than the amount specified by the Authority or takes the form of annuity of amount less than the amount specified by the Authority; or
- (ii) when the parties, after the default has occurred in payment of the premium, agree in writing to other arrangement.]

114. Power of Central Government to make rules. - (1) The Central Government may, subject to the conditions of previous publication by notification in the Official Gazette, make [rules] to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may prescribe-

[* * *]

[* * *]

[(aaa) the manner of ownership and control of Indian insurance company under sub-clause (b) of clause (7A) of section 2;]

[(b) the manner in which it shall be determined which of the transactions of an insurer are to be deemed for the purposes of this Act to be insurance business transacted][* * *] [in][India] [* * *];]

[* * *]

(d) the form referred to in clause (d) of sub-section (2) of section 16;

(e) the manner in which the prospectuses and tables referred to in sub-section (1) of section 41 shall be published and the form in which they shall be drawn up;

[* * *]

[* * *]

(h) the contingencies other than those specified in clauses (a) to (f) of [sub-section (2) of] section 65 on the happening of which money may be paid by provident societies;

(i) the matters other than those specified in clauses (a) to (o) of sub-section (1) of section 74 on which a provident society shall make rules;

(j) the form of any account, return or register required by Part III and the manner in which such account, return or register shall be verified;

(k) subject to the provisions of this Act, the fees payable thereunder and the manner in which they are to be collected; [*]

(l) the conditions and the matters which may be prescribed under sub-sections (5), [(6)], (10) and (12) of section 92;

[(la) the manner of inquiry under sub-section (l) of section 105C;

(lb) the form in which an appeal may be preferred under sub-section (2) and the fee payable in respect of such appeal and the procedure for filing and disposing of an appeal under sub-section (6) of section 110;]

[* * *]

(m) any other matter which is to be or may be prescribed.

[* * *]

[(3) Every rule made under this section or under sub-section (10) of section 34-H [* * *] and every regulation made under this Part shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.]

[(4)] All rules made by a Local Government under the provisions of section 24 of the Provident Insurance Societies Act, 1912 and in force at the commencement of this Act shall so far as not inconsistent with the provisions of Part III continue in force and have effect as if duly made under this section until they are replaced by rules made under this section.

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

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

[(a) manner of making application for registration and documents to be accompanied under sub-section (2) of section 3;]

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

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

[(d) such annual fee to the Authority and manner of payment under sub-section (1) of section 3A;]

[(da) such minimum annuity and other benefits to be secured by the insurer under section 4;

(daa) determination of preliminary expenses that may be excluded for calculation of the stipulated paid-up equity capital for the insurers under sub-section (1) of section 6;

(db) such equity capital and such forms of capital including hybrid capital required under sub-section (1) of section 6A;]

[* * *]

[(ea) separation of account of all receipts and payments in respect of each classes and sub-classes of insurance business as required under sub-section (1) and sub-section (2AA) of section 10; and its waiver under the said section;]

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

[(g) the manner in which an abstract of the report of the actuary to be specified and the form and manner in which the statement referred to in section 13 shall be appended;]

[(ga) maintenance of records of policies and claims under clause (c) of sub-section (1) of section 14;

(gb) manner and form of issuance of policies in electronic form under sub-section (2) of section 14;]

[(h) the fee for procuring a copy of return or any part thereof under sub-section (1) of section 20;]

[(i) investment of assets and further provisions regarding investments by an insurer and investment by insurers in certain cases under sections 27, 27A, 27B, 27C and time, manner and other conditions of investment of assets under section 27D;]

[(ia) the form in which a return giving details of investments made, time and manner including its authentication under section 28;

(ib) the loans including the loans sanctioned to the full-time employees of the insurer under clause (a) of sub-section (3) of section 29;

(ic) the sum to be paid by the insurer to any person under section 31B;

(id) the obligation of insurer in respect of rural or social or unorganised sector and backward classes under sections 32B and 32C;

(ie) the minimum percentage of insurance business in third party risks of motor vehicles under section 32D;]

[(j) the minimum information to be maintained by insurers or intermediary or insurance intermediary, as the case may be, in their books, the manner in which such information shall be maintained, the

checks and other verifications in that connection and all other matters incidental thereto under sub-section (7) of section 33;]

[(ja) the form in which balance-sheets in respect of the insurance business of each of the insurers concerned and the manner in which actuarial reports and abstracts in respect of the life insurance business are to be prepared under clauses (b) and (c) of sub-section (3) of section 35;

(jb) the manner of assessment of compensation under the proviso to sub-section (4A) of section 37A;

(jc) the fee to be charged by the insurer under sub-section (3) of section 39;

(jd) the manner and amount of remuneration or reward to be paid or received by way of commission or otherwise to an insurance agent or an intermediary or insurance intermediary under section 40;

(je) the manner and form of expenses of management under sections 40B and 40C;]

[* * *]

[(m) the requisite qualifications or practical training or examination to be passed for appointment as an insurance agent under clause (e) of sub-section (3) of section 42;]

[* * *]

[(o) the code of conduct under clause (h) of sub-section (3) of section 42;]

[* * *]

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

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

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

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

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

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

[* * *]

[(vb) the requirements of capital, form of business and other conditions to act as an intermediary or insurance intermediary under [* * *] section 42-E;

(vc) the form of balance-sheet as may be specified by the Authority under sub-section (1) of section 49;

[* * *]

[(x) academic qualifications and code of conduct for surveyors and loss assessors under sub-sections (1) and (2) of section 64UM;

(xa) the period for which a person may act as a surveyor or loss assessor under sub-section (3) of section 64UM;]

[(y) the manner of exclusion of certain assets under sub-section (1), the manner of valuation of liabilities under sub-section (2) and time for furnishing statement under sub-section (3) of section 64V;]

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

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

[(zab) the form, time, manner including authentication of the return giving details of solvency margin under sub-section (9) of section 64VA;

(zab) the manner of opening and closing places of business under section 64VC;]

[(zb) the manner of receipt of premium to be specified under sub-section (6) of section 64-VB;]

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

[(zba) the norms for surrender value of life insurance policy under sub-section (1) of section 113;]

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

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

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

115. Alteration of forms. - The [Authority] may, on the application or with the consent of an insurer, not being a company, alter the forms contained in the Schedules as respects that insurer, for the purpose of adapting them to the circumstances of that insurer:

Provided that nothing done under this section shall exempt the insurer from supplying all information required under this Act so far as it is possible for the insurer to do so.

116. Power to exempt from certain requirements. - [(1)] The Central Government may, by notification in the Official Gazette, exempt any insurer constituted, incorporated or domiciled in [any country or State outside] [India] [from any of the provisions of this Act which may be specified in the notification] either absolutely or subject to such conditions or modifications as may be specified in the notification.

[* * * * *]

[(2) This section shall apply in respect of provident societies as defined in Part III as it applies in respect of insurers.]

[116A. Summary of returns to be published. - The [Central Government, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999][shall every year cause to be published, in such manner as it may direct, a summary of the accounts, balance-sheet, statements, abstracts and other returns under this Act or purporting to be under this Act which have been furnished in pursuance of the provisions of this Act to the] [Authority][during the year preceding the year of publication, and may append to such summary any note of the] [Authority][or of the] [Central Government, before the date of commencement of the Insurance Regulatory and Development Authority Act, 1999][and any correspondence:

Provided that nothing in this section shall require the publication of the] [statement referred to in sub-section (2) of section 10 or the returns][referred to in sub-section (1) of section 28] [or][section 28-A or section 28-B][or the statements referred to in sub-section (2) of section 31-B or section 40-B.]

117. Saving of provisions of [the Companies Act, 2013 (18 of 2013)].-Nothing in this Act shall affect the liability of an insurer being a

company [or a provident society as defined in Part III being a company] to comply with the provisions of [the Companies Act, 2013 (18 of 2013)], in matters not otherwise specifically provided for by this Act.

[118. Exemptions. - Nothing in this Act shall apply-

(a) to any trade union registered under the Indian Trade Unions Act, 1926; or

(b) to any provident fund to which the provisions of the Provident Funds Act, 1925, apply; or

(c) if the Central Government so orders in any case, and to such extent or subject to such conditions or modifications as may be specified in the order, to any insurance business carried on by the Central Government or a State Government or a Government company as defined in section 617 of [the Companies Act, 2013 (18 of 2013)]; or

(d) if the Controller so orders in any case, and to such extent or subject to such conditions or modifications as may be specified in the order, to-

(i) any approved superannuation fund as defined in clause (a) of section 58-N of the Indian Income-tax Act, 1922; or

(ii) any fund in existence and officially recognised by the Central Government before the 27th day of January, 1937, maintained by or on behalf of Government servants or Government pensioners for the mutual benefit of contributors to the fund and of their dependants; or

(iii) any mutual or provident insurance society composed wholly of Government servants or of railway servants which has been exempted from any or all of the provisions of the Provident Insurance Societies Act, 1912][; or

(iv) any fund in existence in the Union territory of Goa, Daman and Diu on the 20th December, 1961, and maintained by or on behalf of Government servants, or Government pensioners or on behalf of employees of any autonomous body and intended for the mutual benefit of contributors to the fund or for any other purpose.]

[118A. Powers of Authority not to apply to International Financial Services Centre. - Notwithstanding anything contained in any other law for the time being in force, the powers exercisable by the Authority under this Act, -

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

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

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

[119. Inspection and supply of copies of published prospectus, etc. - Any person may on payment of a fee of five rupees inspect the documents filed by an insurer with the][Authority][under clause (f) of sub-section (2) of section 3, and may obtain a copy of any such document or part thereof on payment in advance at the prescribed rate for the making of the copy.]

120. Determination of market value of securities deposited under this Act. - The market value on the day of deposit of securities deposited in pursuance of any of the provisions of this Act with the Reserve Bank of India shall be determined by the Reserve Bank of India whose decision shall be final.

121. Amendment of section 130, Act 4 of 1882.-[Repealed by the Repealing and Amending Act , 1957 (36 of 1957), section 2 and Schedule I (w.e.f.17-9-1957).]

122. Amendment of Schedule I, Act 9 of 1908.-[Repealed by the Repealing and Amending Act , 1957 (36 of 1957), section 2 and Schedule I (w.e.f.17-9-1957).]

123. Repeals. - [Repealed by the Repealing and Amending Act , 1957 (36 of 1957), section 2 and Schedule I (w.e.f.17-9-1957).]

THE FIRST SCHEDULE

[Omitted by the Insurance (Amendment) Act, 2002 (42 of 2002), section 18 (w.e.f. 23-9-2002).]

THE SECOND SCHEDULE

[Omitted by the Insurance (Amendment) Act, 2002 (42 of 2002), section 18 (w.e.f. 23-9-2002).]

THE THIRD SCHEDULE

[Omitted by the Insurance (Amendment) Act, 2002 (42 of 2002), section 18 (w.e.f. 23-9-2002).]

THE FOURTH SCHEDULE

[Omitted by the Insurance (Amendment) Act, 2002 (42 of 2002), section 18 (w.e.f. 23-9-2002).]

[* * *]

OLD LAW ▼

THE FIFTH SCHEDULE

(See section 13)

REGULATIONS FOR PREPARING STATEMENTS OF BUSINESS IN FORCE AND REQUIREMENTS APPLICABLE TO SUCH STATEMENTS

PART I

REGULATIONS

1. Statements prepared under this Schedule must be prepared, so far as practicable, in tabular form and must be identified by numbers and letters corresponding with those of the paragraphs of Part II of this Schedule.
2. Except with respect to rates of premium or contribution, items in statements prepared under this Schedule are to be shown to the nearest rupee.
3. Extra premium shown in the Forms of Summary and Valuation prepared under the Fourth Schedule to this Act must not be included in statements prepared under this Schedule.
4. Every statement prepared under this Schedule shall be signed by the actuary making the investigation in connection with which it is prepared.
5. For the purposes of this Schedule the following expressions have the meanings hereby respectively assigned to them, namely :-
 - (a) "annual loading" means the provision made for future expenses and profits;
 - (b) "extra premiums" means a charge for any risk not provided for in the minimum contract premium;
 - (c) "net premiums" means the premiums taken credit for in the valuation in connection with which any statement is prepared; and
 - (d) "valuation date" means as respects any valuation the date as at which the valuation is made.

PART II

REQUIREMENTS FOR STATEMENTS APPLICABLE TO LIFE INSURANCE

The statements required to be prepared under this Part of this Schedule are as follows, namely:-

1. Statements separately prepared in respect of policies with and without participation in profits, showing:-
 - (a) as respects policies for the whole term of life, the rates of office premiums charged, in accordance with the published tables in use, for new policies giving the rates for decennial ages at entry from 20 to 70 inclusive; and
 - (b) as respects endowment insurance policies, the rates of the office premiums charged, in accordance with the published tables in use, for new policies with original terms of ten, fifteen, twenty, thirty and forty years, giving the rates for decennial ages at entry from 20 to 40 inclusive, but excluding policies under which the age at maturity exceeds 60.
2. Statements, separately prepared in respect of policies with immediate

profits, with deferred profits, with profits under discounted bonus systems, and without profits, showing in quinquennial groups-

(a) as respect policies for the whole term of life-

- (i) the total amount assured (specifying sums assured and reversionary bonuses separately), grouped according to ages attained;
- (ii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable throughout life, and of the corresponding net premiums, grouped according to ages attained; and
- (iii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable for a limited number of years and, either, the corresponding net premiums grouped in accordance with the grouping adopted for the purposes of the valuation, or, the annual loading reserved for the remaining duration of the policies, grouped according to ages attained:

(b) as respects endowment insurance policies-

- (i) the total amount assured (specifying sums assured and reversionary bonuses separately), grouped in accordance with the grouping adopted for the purposes of the valuation; and
- (ii) the amount per annum, after deducting abatements made by application of bonus, of office premiums payable, and of the corresponding net premiums, grouped in accordance with grouping adopted for the purposes of the valuation:

Provided that-

- (a) as respect endowment insurance policies which will reach maturity in less than five years, the information required by sub-paragraph (b)(i) of this paragraph must be given for each year instead of in quinquennial groups; and
- (b) where the office premiums payable under policies for the whole term of life for a limited number of years, or the office premiums payable under endowment insurance policies, or the corresponding net premiums, are grouped for the purposes of the valuation otherwise than according to the number of years' payments remaining to be made or where the sums assured under endowment insurance policies are grouped for the purposes of the valuation otherwise than according to the years in which the policies will mature for payment or in which they are assumed to mature if earlier than the true year, then, in any such case the valuation constants

and an explanation of the method by which they are calculated must be given for each group, and in the case of the sums assured under endowment insurance policies a statement must also be given of the amount assured maturing for payment in each of the two years following the valuation date.

3. Statements as respect any policies in force under which premiums cease to be payable, whether permanently or temporarily, during disability arising from sickness or accident, showing the total amount of the office premiums payable.

4. Statements as respects immediate annuities on single lives for the whole term of life, separately prepared in respect of annuities on male and female lives, showing in quinquennial age groups the total amount of such annuities.

5. Statements as respects deferred annuities, separately prepared in respect of annuities on male and female lives, showing the specimen reserve values for annuities of one hundred rupees which will be produced on maturity on the basis of valuation adopted at ages, in the case of male lives, 60 and 65, and in the case of female lives, 55 and 60; the said statements must show the specimen reserve values which will be produced under the table of annual premiums in use for new policies, and if under any other table of annual premiums in use for any other deferred annuity policies in force smaller reserve values will be produced, the like specimens of these must also be given.

6. Statements as respects any policies of insurance upon the lives of a group of persons, whereby sums assured are payable in respect of the several persons included in the group, showing the total claims paid since the date as at which the last statements were prepared under this Part of this Schedule or, where no such statements have been prepared, since the date on which the insurer began to carry on the class of business to which the statements relate, and the reserve for unexpired risks and outstanding claims.

[THE SIXTH SCHEDULE]

PART A

[See section 42-B(1)]

TERMS DEEMED TO BE INCLUDED IN EVERY CONTRACT BETWEEN AN INSURER CARRYING ON GENERAL INSURANCE BUSINESS AND A PRINCIPAL AGENT

1. All payments of commission to insurance agent shall be made by the principal agent on behalf of the insurer.

2. The principal agent shall procure or cause to be procured through insurance agents such an amount of general insurance business of any class for the procurement of which he has been appointed, as will yield a

gross premium income of not less than twenty thousand rupees in each calendar year.

3. In the event of the principal agent failing in any calendar year to comply with the requirements of clause 2, he shall forfeit to the insurer-

- (i) one-quarter of the total remuneration payable to him by the insurer for that year, if the class of business for the procurement of which he has been appointed is fire or miscellaneous insurance business, or
- (ii) one-third of the total remuneration payable to him by the insurer for that year, if the class of business for the procurement of which he has been appointed is marine insurance business.

4. In the event of the principal agent failing to comply with the requirements of clause 2 in any two successive calendar years, the contract shall, without prejudice to the provisions of clause 3, terminate on the 31st day of March immediately following the second calendar year.

5. Except in cases where the business relates to any property under his immediate control, a principal agent shall not by himself procure any class of general insurance business without utilising the services of an insurance agent.

PART B

[See section 42-C(1)]

TERMS DEEMED TO BE INCLUDED IN EVERY CONTRACT BETWEEN AN INSURER CARRYING ON LIFE INSURANCE BUSINESS AND A CHIEF AGENT

1. All payments of commission to insurance agents shall be made by the insurer direct or by the chief agent, who may make the payment either directly or through a special agent on behalf of the insurer.

2. The chief agent shall employ or cause to be employed for and on behalf of the insurer either directly or through special agents at least six insurance agents in cases where the business in force of the insurer is less than one crore of rupees and in any other case at least twelve agents each of whom will procure in each calendar year new business amounting to not less than ten thousand rupees.

3. Save as provided in respect of cases specified in clause 7 of this Part, the remuneration payable to the chief agent in respect of life insurance business effected through him for the insurer shall only be in the form of an overriding commission.

4. In the event of the chief agent failing in two successive calendar years to comply with the requirements of clause 2, he shall forfeit to the insurer one-half of the total remuneration payable to him by the insurer for those years.

5. In the event of the chief agent failing to comply with the requirements

of clause 2 in four successive calendar years, the contract shall, without prejudice to the provisions of clause 4, terminate on the 31st day of March immediately following the last of such calendar years.

6. Not more than one intermediary to be remunerated by the insurer concerned, whether on a salary basis or by way of commission, shall be employed between the chief agent and any insurance agent, but the chief agent may employ as many persons as he thinks fit on a salary basis, provided such salaries are paid out of his overriding commission.

7. In cases where the commission payable on a policy of life insurance effected through an insurance agent working under a chief agent is stopped on or after the 1st day of January, 1949 and not paid to the insurance agent, an amount not exceeding one-quarter of such commission payable to the insurance agent concerned shall also be payable to the chief agent, if he continues to render service in connection with that policy and if such commission is otherwise payable to him.

PART C

[See section 42-C(4)]

TERMS DEEMED TO BE INCLUDED IN EVERY CONTRACT BETWEEN AN INSURER CARRYING ON LIFE INSURANCE BUSINESS AND A SPECIAL AGENT OR BETWEEN A CHIEF AGENT AND A SPECIAL AGENT

1. All payments of commission to insurance agents shall be made by the insurer direct or, on behalf of the insurer, either by the chief agent under whom the special agent is working or by the special agent.

2. The special agent shall employ at least two insurance agents and shall procure or cause to be procured through insurance agents employed under him in each calendar year new business amounting to not less than fifty thousand rupees assured on which at least the first year's premiums have been paid in full.

3. In the event of the special agent failing in any calendar year to comply with the requirements of clause 2, he shall forfeit to the insurer fifty per cent, of the total remuneration payable to him by the insurer, or, as the case may be, by the chief agent, for that year.

4. In the event of the special agent failing to comply with the requirements of clause 2 in two successive calendar years, the contract shall, without prejudice to the provisions of clause 3 of this Part terminate on the 31st day of March immediately following the second calendar year.

5. In the event of the special agent procuring life insurance business without utilising the services of an insurance agent, the special agent shall be entitled only to the commission that is ordinarily payable in respect of business so procured to an insurance agent.

6. The remuneration payable to the special agent in respect of policies of

life insurance procured by him through insurance agents shall only be in the form of an overriding commission.

Explanation. - In this Schedule "business in force" means the total sum assured with bonuses, without taking into account re-insurances, ceded or accepted, by an insurer in respect of the whole of the life insurance business on the working day of the calendar year or the period covered by the revenue account furnished by such insurer under clause (b) or sub-section (2) of Section 16 as the case may be, preceding the calendar year in question.

[THE SEVENTH SCHEDULE]

(See section 55)

RULE AS TO THE VALUATION OF THE LIABILITIES OF AN INSURER IN INSOLVENCY OR LIQUIDATION

The liabilities of an insurer in respect of current contracts effected in the course of life insurance business including annuity business, shall be calculated by the method and upon the basis to be determined by an actuary approved by the Court, and the actuary so approved shall, in determining as aforesaid, take into account-

- (a) the purpose for which such valuation is to be made,
- (b) the rate of interest and the rates of mortality and sickness to be used in valuation, and
- (c) any special directions which may be given by the Court.

The liabilities of an insurer in respect of current policies other than life policies shall be such portion of the last premium paid as is proportionate to the unexpired portion of the policy in respect of which the premium was paid.

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OLD LAW ▼

[THE EIGHTH SCHEDULE]

(See section 52-J)

PRINCIPLES OF COMPENSATION

The compensation to be given under section 52-J shall be an amount equal to the value of the assets of the acquired insurer as on the day immediately before the appointed day, computed in accordance with the provisions of Part I of this Schedule less the total amount of liabilities thereof as on that day, computed in accordance with the provisions of Part II of this Schedule.

PART I

ASSETS

For the purposes of this Part, "value of asset" means the total of the following :-

- (a) the market value of any land or buildings;
- (b) the market value of any securities, shares, debentures, bonds and other investments, held by the acquired insurer.

Explanation. - For the purposes of this clause,-

- (i) Securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Saving Scheme of the Central Government, shall be valued at their encashable value as on the appointed day;
- (ii) Where the market value of any Government security such as the zamindari abolition bonds or other similar security, in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such an amount as is considered reasonable, having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security, issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;
- (iii) Where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;
- (iv) Where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable, having regard to the financial position of the issuing concern, the dividend paid by it during the preceding five years and other relevant factors;
- (c) the total amount of the premiums paid by the acquired insurer in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease;
- (d) the written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings;

- (e) the amount of debts due to the insurer, whether secured or unsecured, to the extent to which they are reasonably considered to be recoverable;
- (f) the amount of cash held by the insurer whether in deposit with a bank or otherwise;
- (g) the market or realisable value, as may be appropriate, of other assets appearing on the books of the insurer, no value being allowed for capitalised expenses, such as share selling commission, organisational expenses and brokerage, losses incurred and similar other items.

PART II

LIABILITIES

The total amount of the liabilities of the insurer shall include-

- (i) reserves for unexpired risks being in respect of each policy, such portion of the last premium paid as is proportionate to the unexpired portion of the policy in respect of which the premium was paid;
- (ii) the total amount of all other liabilities of the insurer existing on the appointed day, including all contingent liabilities which the Central Government of the acquiring insurer may reasonably be expected to be required to meet out of its own resources on or after the appointed day.

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

No separate compensation shall be payable for any profits or any dividend in respect of any period immediately preceding the appointed day, for which, in the ordinary course, profits would have been transferred or dividend declared after the appointed day.