

Contractual Savings

4.40 During the current financial year the interest rate on Employees Provident Fund (EPF) was reduced by 1 per centage point from 12 per cent to 11 per cent. This is to be viewed in the context of the reduction made earlier in the interest rates on small savings instruments, Public Provident Fund (PPF) and General Provident Fund (GPF) last year as part of the efforts to facilitate the transition to a low interest rate regime.

Insurance

4.41 The insurance sector has been opened up to the private sector, with a view to making available long -term funds for infrastructure, introducing new and innovative products and effecting improvement in quality of service to customers. The Insurance Regulatory and Development Authority (IRDA) was set up on April 19, 2000. IRDA has so far issued licences to ten companies. Some more companies are likely to be granted licence in the current financial

year. The functions of IRDA include the regulation of investment funds by insurance companies, adjudication of disputes between insurers and intermediaries and supervision of the Tariff Advisory Committee. The IRDA has notified 15 Regulations so far, which include Regulations concerning Actuarial Report and Abstract, Insurance Advertisements and Disclosure, Licencing of Insurance Agents and intermediaries, Reinsurance pertaining to General Insurance and Life Insurance, Appointed Actuary, Assets, Liabilities and Solvency Margin of Insurers, Registration of Indian Insurance Companies, Invesment, Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct), Preparation of Financial Statements and Auditor's Report of Insurance Companies and Obligation of Insurers to Rural or Social Sectors. The IRDA has made it obligatory on new insurers to conduct the following business in rural/social sector (Box 4.4).

BOX 4.4

Obligations of Insurers to Rural and Social Sectors

The salient points contained in the IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, 2000 are set out below:

- The definition of rural sector conforms to that as per the latest census :any place with a population of not more than 5000, a density of population of not more than 400 per sq. km and at least 75 percent of the male working population engaged in agriculture
- Social sector includes unorganised sector, informal sector, economically vulnerable or backward classes and other categories of persons in rural and urban areas.
- Unorganised sector includes categories like self-employed workers comprising agriculture and industries like bidi, brick kiln, carpentry, construction, etc., while economically vulnerable or backward classes refer to persons below the poverty line.
- "Other categories of persons" includes persons with disability as defined in the Persons with Disabilities (Equal Opportunities, Protection or Rights, and Full Participation) Act, 1995 and who may not be gainfully employed. It also includes guardians who need insurance to protect spastic persons or persons with disability.
- Every insurer, who begins to carry on insurance after the commencement of the IRDA Act, 1999, should undertake the following obligations.

Financial Year	Rural Sector: in terms of percent of total policies for Life Insurers and gross premium income for General Insurers, written direct in respective years	Social Sector (in respect of all insurers)
1st	Life : 5 General : 2	5000 lives
2nd	Life : 7 General : 3	7000 lives
3rd	Life : 10 General : 5	10000 lives
4th	Life : 12 General : 5	15000 lives
5th	Life : 15 General : 5	20000 lives

Note: For General Insurers the obligations include crop insurance.