



Sandbox for Fintech

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Recently, the Insurance Regulatory and Development Authority of India (IRDAI) has allowed the use of regulatory sandbox (RS) to promote new, innovative products and processes in the Fintech industry.

- **RS is an infrastructure that helps Fintech players to live test their products or solutions, before getting the necessary regulatory approvals for a mass launch, saving start-ups time and cost.**
- It allows the regulator, the innovators, the financial service providers and the customers to conduct field tests to collect evidence on the benefits and risks of new financial innovations.
- For instance, Data analytics(a part of Fintech) is an area which insurance industry can take benefit to serve their customers as **India accounts for around only 6% of insurance premium in Asia and around 2% of the global premium volume.**

Using RS the viability of data analytics in the insurance sector can be found out before its application on a mass scale.

- The **Reserve Bank of India** is also planning to provide similar infrastructure in the banking sector.

What is Fintech?

Financial technology (Fintech) is used to describe new technology that seeks to improve and automate the delivery and use of financial services.

Examples



What is IRDAI?

- Insurance Regulatory Development Authority of India (IRDAI) is a regulatory body created with the aim of protecting the interests of the insurance customers.
- It regulates and sees to the development of the insurance industry while monitoring insurance-related activities.

History of insurance in India

- **In India, insurance finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).**
The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine.
- **1818 saw the advent of the life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta.**
- The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business.
- An Ordinance was issued on January 19, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence.

- **General Insurance :**
 - In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from January 1, 1973.
 - 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and United India Insurance Company Ltd.
- **In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector.**
- Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.
 - **The IRDA was incorporated as a statutory body in April 2000.**
 - The key objectives of the IRDA include the promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring the financial security of the insurance market.

Source: IE