



## MINUTES OF THE 94<sup>th</sup> MEETING OF THE AUTHORITY

held on 24<sup>th</sup> October, 2016, at 10.00 a.m. at Hyderabad

<b>Present:</b>	Chairman	Shri T.S. Vijayan
	Whole-time Member	Ms Pournima Gupte
	Whole-time Member	Mrs. V.R. Iyer
	Whole-time Member	Shri Nilesh Sathe
	Whole-time Member	Shri PJ Joseph
	Part-time Member	Mrs. Sushama Nath
	Part-time Member	Shri N. Srinivasa Rao
	Part-time Member	Shri S.B. Mathur

Also present:

Designated Officer	Shri M. Pulla Rao, ED (General)
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Chairman welcomed the Members present. He specially welcomed Mrs. Sushama Nath, Part-time Member, who was attending the Authority meeting first time after her nomination to the Authority. Contribution made by Shri DD Singh, Whole-time Member, who retired from the services of the Authority on 04<sup>th</sup> October, 2016 were placed on record. Leave of absence was granted to Shri M. Devaraja Reddy, Part-time Member, who could not attend the meeting. Since the quorum was present, the agenda was taken up.

### **Item No. 5: Status of Public Disclosures by life insurers for the Year ended 31st March, 2016 and First Quarter ended June 2016.**

The Chief General Manager (F&A) presented the agenda.

The Authority was informed that the three companies which had delayed the uploading public disclosures for the year ended 31<sup>st</sup> March, 2016, have since complied with the requirements. It was further informed that all companies, other than Sahara Life Insurance Company were compliant with the disclosure

requirements as at 30<sup>th</sup> June, 2016. The Authority was further informed that Sahara Life was compliant with the solvency requirements although the size of the business underwritten was small. The company has also been reporting profits consistently.

The same was noted by the Authority.

**Item No. 6: Status of Public Disclosures by Non -Life insurers for the Quarter Ended 30th June, 2016**

The Chief General Manager (F&A) presented the agenda.

The Authority was informed that all companies have uploaded the Public Disclosures on their respective websites. In case of Oriental Insurance Co. Ltd., the Compliance certificate was awaited. The Authority also noted that GIC being a reinsurance company has been permitted an additional period of one month to upload the information on its website. The compliance of the same has since been ensured.

The same was noted by the Authority.

**Item No. 12: IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016**

The Chief General Manager (Intermediaries) made a presentation on the proposed Regulations.

He informed the members that in the 92<sup>nd</sup> meeting of the Authority, the said agenda item was deferred with the advice that stakeholder's views should be incorporated, feedback given in the IAC and the linkage to the proposed regulations should be substantiated and the practice of commissions and rewards in other jurisdictions should be covered. Accordingly, CGM (Intermediaries) made a presentation which covered the advice of the Authority and the proposed IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016.

One of the members sought clarification on having differential rewards for life and general including standalone health insurers. It was explained that a higher reward of

30% proposed for general insurance including standalone health insurance would allow for level playing field. Further the proposed commission and rewards would be reflective of the current market reality in terms of commission and Expenses of Management.

The member also suggested reduction in commission rate for group health insurance contracts to 5% as the claims experience was adverse. It was explained that many insurance agents and insurance intermediaries offered value added services for which the 7.5% commission was proposed.

Based on the above, the Authority approved the proposed IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 and authorised Chairman, IRDAI to undertake minor corrections, changes, improvements, etc. to bring clarity in the regulations before notification.

#### **Item No. 13: Monitoring Mechanism for IRDAI (Listed Indian Insurance Companies) Guidelines, 2016**

Chief General Manager (F&A) made a presentation on the proposed guidelines.

The Authority was informed that post its approval, the Authority has issued the IRDAI (Listed Indian Insurance Companies) Guidelines, 2016. These Guidelines cover all insurers whose equity is listed on the stock exchanges and the Authority has advised such insurers to put place systems to ensure compliance of the provisions of Section 6A(4)(b)(ii) and (iii) of the Insurance Act, 1938, read with the Guidelines issued by the Authority. Insurance Companies are required to disclose the stipulations under the Guidelines on their respective websites and monitor the compliance with the limits through their Registrar and Transfer Agents (RTA), with inputs from the two depositories. The Authority noted that the responsibility for ensuring compliance with the limits on foreign Investment rests with the Insurance Companies. The Authority was also informed that the SEBI's concurrence on the matter had also been taken since the RTA's and depositories fall within its regulatory purview.

The Authority approved the approach towards ensuring compliance with the requirements under the provisions of the said section under the Act and the Guidelines issued in this regard.

#### **Item No. 15: Repayment of Loan to IRDAI by IIRM**

GM (Legal/SDD) submitted that the Institute of Insurance and Risk Management (IIRM) has requested for deferment of payment of two interest free long term loans as under:

- i) Loan of Rs 1,67,36,133 approved in March 2006, balance remaining Rs 50,20,839/- (Rs Fifty lakh twenty thousand eight hundred thirty nine)
- ii) Loan of Rs 1,25,00,000 approved in March 2007, balance remaining Rs 1 crore (Rs. One crore)

IIRM had submitted that in view of requirement of urgent liquidity they might be permitted to re-pay the balance loan from 2019-20 onwards. IIRM has further submitted that once their office shifts to their own building expected in the next financial year, a saving of Rs. 1.5 crore would accrue per annum.

The Authority noted that presently the income of IIRM matched the expenditure. However, IIRM has not given definite plan for repayment of instalments. Hence while approving the request of IIRM in principle, the Authority directed that IIRM to submit a projected income and outgo on the basis of which repayment schedule could be honoured.

#### **Item No. 16: Additional Tier 1 Perpetual Bonds (Basel – III Compliant)**

The agenda item was presented by General Manager (Investments).

The issue of allowing AT1 (Basel III Compliant) Bonds, as a part of eligible instruments for investments by insurers was discussed and the Authority decided to allow the Bonds subject to the following prudential norms:

1. The rating of AT1 Bonds shall be not less than “AA”, at the time of investment
2. The offer document, in the case of IPOs of AT1 Bonds, shall have a provision for listing in at least one of the Exchanges

3. The Insurer shall invest in not more than 10% of AT1 Bonds offered through IPO. Further, the aggregate value of AT1 Bonds held in any particular bank, at any point of time, shall not exceed 10% of the total outstanding AT1 Bonds
4. The Common Equity Tier I Capital (CET) including Capital Conservation Buffer, of the issuer bank shall be more than 1% the minimum CET prescribed by RBI, at the time of investment in AT1 Bonds of such bank
5. Insurers can invest in AT1 Bonds, only where such banks have declared dividend for the preceding 2 years
6. The AT1 Bonds shall be forming part of "Equity" in complying with IRDAI (Investment) Regulations and Master Circular issued thereunder.
7. No investment shall be done in AT1 Bonds, where the issuer bank is either under the Promoter Group of Insurer or Corporate Agent of the Insurer
8. IRDAI may take up with RBI to ensure that "no dividend is declared by the bank on its "Equity" and "Preference" shares, unless interest is paid on AT1 Bonds as they are senior to others".

**Item No. 17: Annual Statement of Accounts of the Authority for the year ended 31<sup>st</sup> March 2016 with Annexures A, B, C & D**

Executive Director (General) submitted the Annual Statement of Accounts of the Authority for the year ended 31<sup>st</sup> March 2016 with Annexures A, B, C & D to the Authority for adoption. He informed that Chapter V of IRDA Act, 1999 deals with preparation and submission of annual statement of accounts of the Authority and stated that Balance Sheet, income and account and receipts and payments statements have been prepared as per formats prescribed in IRDA (Form of Annual statement of Accounts and Records) Rules, 2001.

He also stated that the accounts have been verified by Internal Audit Department and audited by CAG, Chennai and specifically informed about CAG's two observations, i.e., (1) non-crediting of surplus of income and expenditure to IRDA Fund as per Sec. 16 of IRDA Act, 1999 and (2) non-maintenance of funds of IRDA in the Public Account as detailed in annexures along with reasons therefor to the agenda. He informed the members that the first observation was made for the first time and sought the Authority's guidance in the matter.

After due deliberations, the Authority advised that the status quo might be maintained for the time being since the process of creating and transfer to IRDA Fund was yet to be completed.

One of the members sought to know as to why there was reduction in the amount allocated to promotion expenses. It was clarified that it was due to contribution of an amount of Rs. 150 crore last year to PMJJBY and PMSBY campaigns.

With the aforesaid observations, the Authority adopted the Annual Statement of Accounts.

**Item No. 18: Amendment to Regulation 3(5) of IRDAI (Issuance of e-insurance policies) Regulations, 2016 dealing with electronic signatures**

CGM (Intermediaries) made a presentation on the proposed amendment to Regulation 3(5) of IRDAI (Issuance of e-insurance policies) Regulations, 2016 dealing with electronic signatures. It was explained that the proposed amendment was the one presented in the last IAC meeting.

After due deliberations, the Authority approved the proposed amendment.

**Item No. 19: IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) (Second Amendment) Regulations, 2016**

CGM (Intermediaries) made a presentation on the proposed IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) (Second Amendment) Regulations, 2016 dealing with outsourcing of Investment functions by the branch offices of foreign reinsurers. It was explained that the proposed amendment was the one presented in the last IAC meeting.

After due deliberations, the Authority approved the proposed amendment.

**Item No. 20: IRDAI (Insurance Web Aggregator) Regulations, 2016**

CGM (Intermediaries) made a presentation on the proposed IRDAI (Insurance Web Aggregator) Regulations, 2016. It was explained that the proposed amendments were a consequence of the Insurance Laws (Amendment) Act, 2015. The Web Aggregators were included in the definition of insurance intermediary and therefore

the regulations reflected the changes which included increase in FDI limits to 49%, Indian owned and control, appeal to SAT, etc. Other amendments, based on stakeholder and IAC feedback, were also undertaken in the proposed regulations.

After due deliberations, the Authority approved the proposed IRDAI (Insurance Web Aggregator) Regulations, 2016 and authorised Chairman, IRDAI to undertake minor corrections, changes, improvements, etc. to bring clarity in the regulations before their notification.

**Item No. 23: IRDAI (Registration of Insurance Marketing Firm) (First Amendment) Regulations, 2016**

The General Manager (Surveyors/IMF/AO) made a presentation on the proposed Regulations. It was informed that the same was presented to the IAC earlier.

After due deliberations, the Authority approved the same.

**Item No. 30: Revision in the Scales of Pay and Allowances for Employees of the Authority**

The Executive Director (General) submitted the agenda for approval of the Authority in terms of Regulation 17 of Staff Regulations, 2016. He stated that the revision in Scales of Pay and allowances for employees of IRDAI was generally taken up on the lines of SEBI and SEBI had revised pay scales of its employees excepting ED, with effect from 1.11.2012.

2. It was informed about certain variations in existing scales of pay in IRDAI vis-a-vis SEBI in respect of RC, Assistants, DGM and GM and submitted that pay scales proposed were strictly drawn as per SEBI scales. The proposed new scales for Sr. Assistants was briefed in the light of Staff Regulations, 2016, where the said grade was introduced. As there was no corresponding grade in SEBI, it was proposed to introduce a new scale of pay within the scale of pay for Assistants. The proposal was discussed in detail and it was advised that instead of a new scale, the

Assistants may be incentivised appropriately on completion of eligible years of service and/or on fulfilling the requirement of written exam and interview.

3. With regard to allowances, it was submitted to the Authority that all allowances i.e., stagnation increment, grade allowance, dearness allowance and its revised pattern, special pay, special functional allowance, local allowance, family allowance, special compensatory allowance, and special allowance were also drawn as SEBI limits and terms and conditions. However, the difference in the matter of reduced special allowance for new direct recruits in Grade A & B as per SEBI and as proposed in IRDA at 25% for all grades was discussed. It was advised to find out the rationale for such a reduction in SEBI in A and B grades and place the same in the next meeting of the Authority for approval. However, the revision for special allowance for existing employees was approved.

It was also submitted that the date of giving effect to the pay revision was 1<sup>st</sup> November, 2012 and the fitment formula adopted in SEBI would be followed stage to stage except where due to variations in the existing pay scale in IRDAI would be fitted on notional basis till their next promotion or wage revision, whichever is earlier.

With above deliberations and changes advised in respect of new scale of pay for Senior Assistants and reduction in Special Allowance for Direct Recruits, the Authority approved scales of pay and allowances for employees of the Authority w.e.f. 1<sup>st</sup> November, 2012.

**Item No. 37: List of Circular/Guidelines issued from 1<sup>st</sup> September, 2015 till date for information and guidance**

The circulars/guidelines issued by SDD, Health, Actuarial, Surveyors, Non-life, F&A and Life departments from 1<sup>st</sup> September, 2015 till the date of the meeting were placed before the Authority for information and guidance. The Authority noted the same.

**Item No. 40: Funding of Employees Gratuity and Leave encashment liability with LIC**

Executive Director (General) submitted the agenda. The Authority noted the proposals and authorised the Chairman to constitute a Trust for Gratuity Fund and nominate the required number of Trustees.

**Item No. 42: Status Report on Balance work of construction of IRDAI building at Nanakramguda, Gachibowli, Hyderabad:**

Executive Director (General) apprised the Authority about the progress of the construction of IRDAI building at Nanakramguda and informed that looking at the progress of work, the building might be ready for occupation by the first quarter of 2017-18.

The Authority noted the same.

**CHAIRMAN**