



MINUTES OF THE 96th MEETING OF THE AUTHORITY

held on 3rd March, 2017, at 9.30 AM at Hyderabad

Present:	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

Also present:

Designated Officer	Shri M. Pulla Rao, ED (Gen)
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Chairman welcomed the Members present. He extended special welcome to new Member of the Authority – CA Nilesh S Vikamsey, President, Institute of Chartered Accountants of India, in absentia and complimented CA M.Devaraja Reddy, former President, ICAI for his valuable contributions to the Authority. Leave of absence was granted to CA Nilesh S Vikamsey, President, ICAI and Shri S.B. Mathur, Part-time Members, who could not attend the meeting because of prior commitments. Since the quorum was present, the agenda was taken up.

4. Reconstitution of Insurance Advisory Committee with effect from 25/05/2017:

The Designated Officer presented the Agenda and informed the reasons for exclusion of existing Members and inclusion of new Members. Bank of Maharashtra represented as a Corporate Agent for one term. In the agenda note, it was proposed to replace it with Andhra Bank. However, Andhra Bank was also one of

the promoters of India First Life Insurance Company Ltd. As such, we may consider Indian Bank, which is a Corporate Agent only and not a promoter of any insurance company. The Authority was also informed of the written comments received from President, ICAI.

After due deliberations, the Authority passed the following resolution:

“RESOLVED THAT the reconstitution of the Insurance Advisory Committee which would be effective from 25th May, 2017 be and hereby approved as proposed with the modification of inclusion of MD & CEO, Indian Bank in the place of MD & CEO, Andhra Bank.”

5. Budget for the Financial Year 2017-18:

Executive Director (Gen) presented a review of Budget for the financial year 2016-17 and submitted Budget proposals for the financial year 2017-18.

The agenda was discussed and the Budget for the financial year 2017-18 was approved.

6. Investments in Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT):

Officer on Special Duty (Investments) presented the agenda. The Authority was also informed of the written comments received from President, ICAI.

After deliberations, the Authority passed the following resolution:

“RESOLVED THAT insurers be permitted to invest in units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) as a part of eligible Instruments subject to the following exposure/prudential norms:

- a) The minimum rating of REIT and InvIT should not be less than “AA” to treat the units of REIT and InvIT as a part of “Approved Investment;” otherwise, they would form part of “Other Investments.”
- b) The Insurer should not invest more than 3% of the respective fund in REITs and

InvITs and exposure to a single REIT or InvIT should not be more than 5% of units issued by a single issuer of REIT and InvIT.

- c) Investment should not be made in REIT and InvIT where the sponsor was under the Promoter Group of the Insurer.
- d) Investment in units of InvIT would qualify for mandatory “Infrastructure Investments.”
- e) Investment in units of REIT should be treated as a part of Investment property for complying with provisions of Note 6 to the Regulation 9 of IRDAI (Investment) Regulations, 2016 read with Master Circular issued thereunder.
- f) Units of REITs and InvITs should be valued at market value (last quoted price should not be later than 30 days). If the market quotation was not available for 30 days, the units should be valued at the latest NAV of the units published by the trust”.

7. Guidelines on Insurance e-commerce:

Chief General Manager (Intermediaries) made a presentation on the proposed “Guidelines on Insurance e-commerce.” He informed the salient features of the proposed guidelines, feedback received from stakeholders and changes incorporated and the same was placed before the Authority for information.

The Authority noted the guidelines.

10. Status of Public Disclosures by life insurers for the Quarter ended 31st December, 2016:

Chief General Manager (F&A) presented the agenda. The Authority was informed that all life insurance companies had uploaded the disclosures for the quarter ended 31st December, 2016 as stipulated.

The Authority noted the status report.

13. IRDAI (Outsourcing of activities by Indian Insurers) Regulations, 2017:

General Manager (Life) made a presentation on the proposed outsourcing regulations, explaining the background and process followed with regard to

stakeholder consultation including with IAC. He explained the responses to each of the comments and gave information on further amendments carried out in the draft sent to IAC.

The suggestions on the agenda item received from President, ICAI were discussed, point wise. The Authority was informed that our proposed regulation concerning Group/Related parties was on the lines of RBI and was made subject to adhering to arm's length principle, resolution of conflict of interest and other risk management principles in such cases. It was also informed that the Regulation 5 earlier named "Core activities" was now modified and first part of it had been renamed as "Activities prohibited from Outsourcing" under Regulation 5 to define the negative list rather than defining all the activities that could be outsourced. With regard to contracts not compliant with proposed regulations, 180 days period was provided under Regulation 19 which was in line with the best practices followed by other Financial regulators in India or external jurisdictions.

Shri N.Srinivasa Rao mentioned that the annual review of outsourcing policy should be by the Board of the Insurer. After the due discussion, it was suggested that the Regulations should provide that the review report be submitted to the Board of the Insurer by the Outsourcing Committee.

The Authority after due deliberations passed the following resolution:

"RESOLVED THAT IRDAI (Outsourcing of activities by Indian Insurers) Regulations, 2017 be and hereby approved with a modification that the review report shall be submitted to the Board of the Insurer."

14. Status of Public Disclosures by Non-life insurers:

Chief General Manager (F&A) presented the agenda. The Authority was informed that all Non-life insurance companies other than Oriental Insurance Co. Ltd. had uploaded the disclosures as stipulated for the quarter ended 31st December, 2016. The matter was being followed up with the said company to ensure early compliance. In case of General Insurance Corporation, additional time had been mandated for uploading the disclosure requirements.

The Authority noted the agenda.

15. IRDAI (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) (First Amendment) Regulations, 2017:

Chief General Manager (Intermediaries) made a presentation on the proposed IRDAI (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) (First Amendment) Regulations, 2017.

He explained that the existing wording of Regulation 5(f) could be interpreted to mean that what was allowed under new regulation would be “higher of commission approved under old regulations (“file and use”) and the new Commission regulations. Therefore, the new wordings which would avoid this ambiguity had been proposed.

Another change, the replacement of the word “corporate” by the word “commercial” in Schedule – III, General Insurance (Other than motor) – Reg 5(d) and Table III – General and Stand-alone Health Insurance (as applicable) was also placed before the Authority.

The Authority after due deliberations passed the following resolution:

“RESOLVED THAT IRDAI (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) (First Amendment) Regulations, 2017 be and hereby approved.”

18. Guidelines on Stewardship Code for Insurers in India:

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

The Authority was informed that the Stewardship Code proposed to be issued as Guidelines had been placed in the 33rd Meeting of the Insurance Advisory Committee held on 20th February, 2017. Based on the recommendations of the Insurance Advisory Committee, amendments had been carried out in the draft code to bring clarity that the code should be applicable to Insurance Companies as per their Board approved policy laid down in this regard by the respective companies.

The respective insurers could lay down threshold limits for ensuring compliance with the code in respect of the investments held. The Code should be implemented under the principle of 'comply or explain'. The guidelines shall come into effect, six months from the date of issue. The Authority was also informed of the written comments received from President, ICAI and Part-time Member of the Authority.

“RESOLVED THAT the Guidelines on Stewardship Code for Insurers in India be and hereby approved.”

19. IRDAI (Appointed Actuary) Regulations, 2017:

General Manager (Actuarial) made a presentation on the proposed IRDAI (Appointed Actuary) Regulations, 2017.

The Authority after due deliberations passed the following resolution:

“RESOLVED THAT IRDAI (Appointed Actuary) Regulations, 2017 be and hereby approved.”

20. Delegation of powers of the Authority under Insurance Act, 1938 to the Chairman/Members and other Officers of the Authority:

General Manager (Legal) presented the Agenda.

The Authority noted that the proposals for delegation of powers of the Authority under various sections of the Insurance Act, 1938 pertain to operational and procedural areas and did not touch upon policy aspects for which separate powers were vested with the Authority under Section 14 of the IRDA Act, 1999.

After due deliberations, the Authority approved delegation of powers to Chairman/Member/HoD as proposed in the Agenda.

21. Delegation of powers of the Authority vested in it through Regulations notified, to the Chairman/Members and other Officers of the Authority

General Manager (Legal) presented the Agenda.

The Authority deliberated on the proposal for delegation of Powers vested in the Authority under the following Regulations, viz.

- i) Powers under IRDA (TPA-Health Services) Regulations, 2015
- ii) Powers under IRDA (Health Insurance) Regulations, 2016
- iii) Powers under IRDA (Surveyors and Loss Assessors) Regulations, 2015
- iv) Powers under IRDA (IMF) Regulations, 2015
- v) Powers under IRDAI (Micro Insurance) Regulations, 2015
- vi) Powers under IRDAI (Sharing of Database for distribution of insurance products) Regulations, 2010
- vii) Powers under IRDA (Places of Business) Regulations, 2013
- viii) Powers under IRDAI (Insurance Advertisements & Disclosures) Regulations, 2000.

The Authority noted that the proposed items for delegation under the above regulations related to operational aspects and approved the proposal to delegate the powers to Chairman/Member/other Officers of the Authority as mentioned in the agenda.

22. IRDAI (Insurance Surveyors and Loss Assessors) (First Amendment) Regulations, 2017:

General Manager (Surveyors/IMF/AO) made a presentation on the proposed Regulations. It was informed that the exposure draft was placed on the IRDAI website and comments were sought from various stake holders. IAC was consulted on proposed agenda in the meeting held on 20th February, 2017.

The Authority after due deliberations passed the following resolution:

“RESOLVED THAT IRDAI (Insurance Surveyors and Loss Assessors) (First Amendment) Regulations, 2017 be and hereby approved.”

23. Raise of Other forms of Capital - Increase in the limit:

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

The Authority was informed that as per Regulation 14 of the IRDAI (Other forms of Capital) Regulations, 2015, the ceiling for raising funds through other forms of capital had been placed at 25% of equity share capital plus share premium account. It was now proposed to relax the provisions on an exceptional basis to provide that funds could be raised through other forms of capital upto the extent of 25% of equity share capital plus share premium account or net worth, whichever was higher in situations which may so warrant. The Chairman was authorized to consider grant of approval on case to case basis. A Status Note on such exceptions shall be placed before the Authority at periodic intervals.

The Authority approved the proposal to amend the regulations.

28. Tenure of Whole-time Members of IRDAI- Amendment to IRDA Act, 1999:

General Manager (Legal) presented the Agenda.

The Authority noted that the Section 5 of the IRDA Act provided that the tenure of Whole-time Members should be for a term of 5 years provided that no person should continue as Whole-time Member after he attained the age of 62 years.

The Authority further noted that the corresponding provision relating to Whole-time Member under the SEBI Act also provided for a tenure of 5 years or till they attained the age of 65 years whichever was earlier.

With a view to bringing uniformity/parity in respective provisions of IRDA Act 1999 and SEBI Act 1992, the Authority agreed to the proposal that the matter be referred to DFS, Ministry of Finance along with any other substantive amendments required in any other provisions of the IRDA Act.

29. Status Report on balance work of construction of IRDAI Building at Nanakramguda, Gachibowli, Hyderabad:

Executive Director (Gen) presented the status report of construction of IRDAI Building at Nanakramguda, Gachibowli, Hyderabad and informed that the office would be shifted to new building by September, 2017.

The same was noted and Chairman directed to submit a pictorial presentation on the status of IRDAI Building in the next meeting of the Authority.

Table Item No. 2 - Revision/Alignment of perks and other benefits for employees of IRDAI:

The agenda was presented by Executive Director (Gen) and stated that

- i. the salary and allowances of employees were revised w.e.f. 1.11.2012 strictly as per the structure in SEBI with the approval of the Authority in its 94th and 95th meetings held on 24.10.2016 and 09.12.2016 respectively;
- ii. the perks and other benefits being paid to employees of IRDAI were more or less as per RBI/SEBI structure; however, with certain variations in respect of either limits or for some grades;
- iii. SEBI had revised perks/other benefits on 24.10.2016;
- iv. the agenda had been placed with grade-wise and perk-wise details in Annexure 1, strictly drawn as prevalent in SEBI as per direction of the Authority to align the benefit structure also as per SEBI;
- v. SEBI introduced NPS for all new directs and made NPS optional for existing employees in the place of contributory PF;
- vi. the benefit of foreign travel and 50% reimbursement under LTC scheme of SEBI discontinued in IRDAI to address the concerns of CVC conveyed by the Ministry;
- vii. the Superannuation Fund Scheme had been in existence in IRDAI since 19.4.2000 with 15% contribution by the Authority.

2. He further submitted that on account of alignment, there would be reduction in the quantum of certain perks either for some grades or for all grades like HRA, Soft furnishing, Medi-claim SA, Equipment allowance, Home Office Scheme, besides differences in the LTC facility and Superannuation Fund Scheme and requested advice of the Authority on the modified perks and for continuation of Superannuation Fund Scheme for reasons of employee social security, which has been in existence since 16 years and therefore very dear to the employees.

3. The agenda was discussed by the Authority and approved with the following directions:

A. The perks and other benefits be aligned as in SEBI w.e.f. 1.4.2017 except Medi-claim SA and HRA (including for ED which was reduced on wage revision).

B. IRDAI to bear income tax on all eligible monetary and non-monetary perquisites on the lines of SEBI w.e.f. 1.4.2017.

C. Introduction of New Pension Scheme as given in Annexure 3 to the agenda w.e.f 1.4.2017. NPS shall be compulsory for all new appointees/recruits who join on or after 1.4.2017 and optional for existing employees to migrate from Provident Fund Scheme to NPS w.e.f. 1.4.2017 after exercising their option.

D. Adoption of LTC scheme as per SEBI; however, for foreign travel eligibility, a reference be made to the Ministry in view of earlier correspondence.

E. Continuation of the Superannuation Fund Scheme for existing employees with the following structure:

- 1) to freeze the amount equivalent to 15% contribution by IRDAI as on 31.3.2017 for 2 years; thereafter,
- 2) reduction in the frozen amount by one-third for the next 2 years from 1.4.2019 to 31.3.2021; thereafter,
- 3) reduction in the frozen amount by another one-third for the next 2 years from 1.4.2021 to 31.3.2023; thereafter,
- 4) nil contribution by IRDAI from 1.4.2023.
- 5) modify the period of vesting to 10 years or retirement age, whichever is earlier.
- 6) The scheme shall continue with only Employees' contribution from 1.4.2023.

F. The new appointees/recruits who join on or after 1.4.2017 might join the Superannuation Fund Scheme with their own contribution up to 15% of their pay. The Authority shall not contribute to their Superannuation Fund.

Table Item No. 4 - Foreign tours of Chairperson and Members of the Authority:

Executive Director (Gen) briefed on the provisions of Rule 6(2) of IRDA (Salary and allowances payable to, and other terms and conditions of service of Chairperson and other Members) Rules 2000, in terms of which the foreign tours of the Chairperson or Whole-time Members for official purpose shall be approved by the Authority. He also informed about the minutes of the meeting of the Authority held on 11/01/2001 in the matter, which were not very clear and that the Members at present were undertaking foreign tours after due approval of Chairman. He requested the Authority to authorize Chairman to approve his own foreign tour and foreign tours of Members and that a quarterly report of the details of the tours undertaken by the Chairman and Members would be submitted before the Authority.

After due deliberations, the Authority authorized the Chairman to approve his own foreign tour and foreign tours of Members and to place a quarterly report of the details of the foreign tours undertaken by the Chairman and Members. The Authority noted report of the foreign tours undertaken by Chairman and Members for the quarter ended 31st December, 2016 appended to the agenda.

CHAIRMAN