

MINUTES OF THE 52nd MEETING OF THE AUTHORITY

held on January 25, 2008 at 11.00 a.m.
in the Office of the IRDA at 3rd Floor, Parishram Bhavan, Basheer Bagh,
Hyderabad.

Present:	Chairman	Shri C. S. Rao
	Member	Shri C. R. Muralidharan
	Member	Shri K K Srinivasan
	Member	Dr R Kannan
	Member	Shri Vijay Mahajan
	Member	Smt Ela R Bhatt
	Invitee	Dr. D V S Sastry
Also present:	Executive Director	Shri Prabodh Chander
	Executive Director	Shri K. Subrahmanyam
	Consultant & Special Officer	Shri Kunnel Prem
	Executive Director	Smt V. Vedakumari

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri G Prabhakara, Whole-time Member and Shri Sunil Talati & Shri Pradeep Kumar, Part-time Members who could not attend because of prior commitments.

Item # 1: Confirmation of Minutes of the 51st Meeting of the Authority held on 5th December, 2007.

It was decided to confirm the Minutes as they were in order.

Resolution No: 52:1

Authority resolves to confirm the Minutes of the 51st meeting of the Authority held on 5th December, 2007.

Item # 2: Action Taken Report on the Minutes of the 51st Meeting of the Authority held on 5th December, 2007.

The Authority took note that R2 application has been issued to M/s Shiram General Insurance Company Limited on fulfillment of the requirements mentioned in the Minutes of earlier Meeting.

Item # 3: Performance of Insurance Industry for the period April to November 2007

The Authority noted the performance of the Sector in the current year. Mr. Vijay Mahajan pointed out that with insurers relying primarily on ULIPs, there is a

need to review the performance of the insurers as regards fund management which has become a crucial activity of the insurers. It was decided that as part of the inspection process the Authority would analyse not only the compliance of insurers with investment regulations but also the performance of funds among insurers. Smt. Ela R Bhatt suggested that a study may be undertaken on the reach of the industry and whether it is inclusive. It was decided to undertake a study by a specialized agency on this issue.

Item # 4: Review of detariffing process in non-life insurance

Members noted the information in the agenda note outlining the steps taken in de-tariffing the non life insurance sector.

Dr.R Kannan's [Member (Actuary)] observation on the importance of timely submission of quarterly financial and solvency statements for analysis and action by the Authority was also noted.

Members noted the increased responsibility placed on the Board of Directors of every insurance company to monitor the implementation of the company's underwriting policy. In this context, Members agreed with the suggestion of Shri Mahajan that every insurance company be required to constitute a sub committee of its Board to monitor and report on de-tariffing.

Item # 6 – Recommendations of Perks Committee

The report of the Perks Committee was discussed in detail. With regard to house building advance the Committee recommended the scheme as implemented in SEBI excepting that the upper limit may be fixed at Rs. 25 lakhs as against Rs.15 lakhs in SEBI. It is also suggested that while accepting broadly to adopt the procedure and process followed by SEBI in sanctioning loans, exceptional cases for second house building advance and sanction beyond the limit of 80 times of basic pay subject to 100 times overall be also considered on merits by the Chairman, IRDA.

The recommendations of the Committee suggesting that after adoption of perks on lines similar to SEBI, IRDA should also follow the same practice of other administrative instructions on the perks including the practices & process for grant and settlement was highlighted.

Resolution No: 52:6

IRDA resolves to approve the proposal.

Item # 7: Budget Estimates for the year 2008-09

The budget for the year 2008-09 was noted and approved by the Authority.

Resolution No: 52 : 7

IRDA resolves to approve the Budget for the year 2008-09.

Item # 8: Occupation of Jeevan Bharati premises by 13th Finance Commission - For Information.

Noted.

Item # 9: Summary of Actuarial Reports received from Life Companies for the year ending March 31, 2007 – For Information

Noted. Mr. Mahajan suggested that additional statements showing the performance of the industry in respect of ULIPs may be supplied in view of importance of ULIPs in the portfolio of insurers.

Item # 10: Industrial/Corporate Houses promoting their own Insurance Companies and Broking Companies.

Members agreed that an industrial / corporate house having an insurance company can be permitted to promote an insurance broking company subject to the following requirements, **which shall be in addition to the requirements specified in the Act / Regulations:**

A) Obligations on the Promoter:

- (i) The promoter company should give an undertaking that none of the clients within the promoter group will be compelled to use the broker for their insurance requirements;

B) Obligations on the Insurer:

- (ii) The insurer within the group should give an undertaking that –
 - (a) it will not pay higher remuneration to the broker within the group compared to what is payable to other brokers for the same class of insurance or insurance product; an audit certificate on compliance with this undertaking should be filed annually with the audited accounts of the insurer;

- (b) it will not quote terms to the broker within the group, that are more favourable than the terms quoted to other brokers on the same proposal for insurance; and
- (c) it will not design special insurance products for sale exclusively through the broker.

C) Obligations on the Broker:

- (iii) The broker shall make an explicit disclosure of its being a sister company of the insurer within the same promoter group, in all its stationary used for communication with clients and in all publicity materials and at the offices of the broker.
- (iv) The broker shall make an explicit declaration in all communications relating to terms and conditions of insurance that a client may require disclosure of the remuneration receivable by the broker on the insurance effected for the client.
- (v) Where the broker recommends a product and quotes rates and terms offered by an insurer within the same promoter group, the broker shall inform the client about the logic in support of its recommendation and also inform the client about the next best product, rates and terms offered by an insurer not part of the promoter group.
- (vi) The broker shall ensure that not more than 25% of the insurances handled by it in any financial year is placed with the insurance company within the promoter group separately for life and for general insurance business. The broker shall establish internal machinery to monitor this on an ongoing basis.
- (vii) It shall be mandatory for the broking company to disclose Related Party transactions with the insurance company belonging to the promoter group in its audited accounts and balance sheet as described in the Accounting Standard 18 of ICAI.

D) Obligations on both the Insurer and the Broker

- (viii) The insurance company and the broking company shall maintain arms length distance between themselves. More explicitly, no employee or director of the broking company shall be a director, employee, or agent of the insurance company

Item # 11: Any other item with the permission of Chair.

Supplementary Agenda Item No 1:

Amendment to IRDA (Conditions of Service of Officers and Other Employees) Regulations, 2000 to provide for Reservations in Direct Recruitment.

The proposal as recommended by the Insurance Advisory Committee at its meeting held on 21st January, 2008 was approved by the Authority.

Resolution No: 52 : S : 1

IRDA resolves to approve the proposed draft notification on amendments to IRDA (Conditions of Service of Officers and Other Employees) Regulations, 2000 to provide for Reservations in Direct Recruitment

Supplementary Agenda Item No 2:

Amendments to IRDA (Registration of Indian Insurance Companies) Regulations, 2000.

The proposal for amendment of the definition of “Infrastructure facility” in IRDA (Registration of Indian Insurance Companies) Regulations, 2000 as recommended by the Insurance Advisory Committee at its meeting held on 21st January, 2008 was approved by the Authority.

Resolution No: 52 : S : 3

IRDA resolves to approve the proposed draft notification on amendments to IRDA (Registration of Indian Insurance Companies) Regulations, 2000.

There was no other item for discussion and the meeting concluded with vote of thanks to the Chairman.

(C S Rao)
Chairman