



**MINUTES OF THE 73rd MEETING OF THE AUTHORITY  
held on August 31, 2012 at 03.00 pm  
in the Conference Room of RBI Office, New Delhi.**

<b>Present:</b>	<b>Chairman</b>	<b>Shri J Hari Narayan</b>
	<b>Member</b>	<b>Shri R.K. Nair</b>
	<b>Part-time Member</b>	<b>Shri Arvind Kumar</b>
	<b>Part-time Member</b>	<b>Prof. V. K. Gupta</b>
<b>Also present:</b>	<b>Designated Officer</b>	<b>Shri Sriram Taranikanti</b>
		<b>Executive Director</b>
	<b>Sr. Joint Director</b>	<b>Shri Suresh Mathur</b>
	<b>Joint Director</b>	<b>Shri Randip S Jagpal</b>
	<b>Joint Director</b>	<b>Dr. Mamta Suri</b>
	<b>Joint Director</b>	<b>Smt. J. Meenakumar</b>
	<b>Joint Director</b>	<b>Shri Rakesh Bajaj</b>
	<b>Joint Director</b>	<b>Smt. Yegna Priya Bharath</b>
	<b>Joint Director</b>	<b>Shri A. Ramana Rao</b>
	<b>Joint Director</b>	<b>Shri V. Jayanth Kumar</b>
	<b>Deputy Director</b>	<b>Shri R. K. Sharma</b>
	<b>Deputy Director</b>	<b>Shri T.V. Rao</b>

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri M. Rama Prasad, Member (NL), Shri S. Roy Choudhury, Member (Life) and Shri CA Jaydeep N Shah, Part-time Member who could not attend because of prior commitments.

**Item 1: Confirmation of Minutes of the 72nd Meeting of the Authority held on 4th April, 2012.**

Confirmed

**Item 2: Action Taken Report on the Minutes of the 72nd Meeting of the Authority held on April, 4th 2012.**

- a. On issue relating to **Persistency**, it was advised that an appropriate circular mandating disclosure of persistency channel wise needs to be issued.
- b. **On the Policyholders protection fund initiative**, Joint Secretary suggested that while preparing the discussion paper, the issues of managing the fund, the legality

of it and the practices followed by other regulators be also considered. Chairman advised that the above paper may be put up for the next authority meeting.

- c. **Citizen Charter:** There was a discussion whether performance metrics of regulator needs to be covered under Citizen Charter. Joint Secretary opined that it is not to be viewed as a list of performance metrics of regulator but in the spirit of disclosure of various activities (Regulatory actions, product approval, issuing of licenses to brokers within the time limits) to be placed in the public domain. It was then viewed that the internal limits for various functions of the Authority prescribed under various regulations would not be a part Citizen Charter. In this regard, it was informed that the Citizen Charter of DFS also is broadly on these general lines. It was noted that the pattern in that of RBI is to have its disclosures of its activities only to do with public (like coins, notes etc) in the public domain. Finally it was agreed that the Authority may get in touch with RBI for drawing inputs for the proposed Citizen Charter.
- d. **List of circulars** – Chairman advised preparation of standard mailing list of stakeholders for various classes of communications that the Authority issues.

**Item 3: Action taken on the previous Authority Meetings - i.e. 61st Authority meeting to 70th Authority meeting.**

- b. **65<sup>th</sup> Meeting - Construction of new Building:** The status of the project may be put up for every authority meeting till completion of the building.
- c. **66<sup>th</sup> Meeting - Earmarked Building Maintenance Fund:** There is a need to relook on the issue and the rationale for the same elaborated.
- e. **Proposed Amendment to Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002:** The Issue of Corporate Agents becoming Directors of Insurance Company (like in the case of NBFCs) was discussed. The Chairman advised study of how this conflict of interest is addressed in other jurisdictions, particularly UK and other places and thereafter the insurance laws may be examined for a solution.
- f. **Review of Authority Meetings:** Prof. V.K. Gupta expressed a view that only active ones may be put up for review. However the Executive Director informed that a

review of all items has helped in identifying if any action items are open. He further informed that the decisions in the remaining 60 past meetings would be covered in the next three meetings of the Authority for delineating active ones from closed ones. However, once reviewed, the active ones may be taken at par with decisions of the latest Authority meeting and status submitted from time to time.

**Item 4: Approval for transfer of 26% Equity stake held in MAX New York Life Insurance Company Limited (“MNYL”) by New York Life Enterprises LLC:**

The Authority noted that it was informational in nature.

**Item 5: Adoption of Annual Accounts of the Authority for the year ended 31st March, 2012:**

The Executive Director submitted that one TAC property valued at Rs 95,87,680/- was not adjusted from the advance paid to TAC in the accounts of 2011-12 as the transaction papers reached in the current year. However, the CAG auditors took a view that the aforesaid asset may be brought into books of accounts of 2011-12 and a fresh set of annual accounts may be redrawn. Accordingly, revised accounts were drawn and placed to Authority on the table. These revised accounts were adopted and approved by the Authority. The revised accounts may be submitted for information of the authority during the next meeting and in the meantime sent to C&AG in the interest of time so that delay can be avoided.

**Item 6: Status of Public Disclosures by Life Insurers for the quarter ended March, 2012:**

Noted. To a specific query, it was further informed that LIC uploaded its disclosures on their website on 21<sup>st</sup> August, 2012.

**Item 7: Status of Public Disclosures by Non Life Insurers for the quarters ended Mar2012 and Jun 2012:**

Noted

**Item 8: Solvency Position of Non-Life Insurers as on Mar2012 and Jun2012:**

Noted. To a query, Shri RK Sharma, DD (F&A) clarified that New India Insurance Company has not submitted the position of solvency as on 30-06-2012.

**Item 9: Strategy for increasing Financial Literacy and improving Insurance Awareness:**

(i). Smt. Yegna Priya Bharat, JD (CAD) gave a brief background on the proposed strategy. The strategy which was put up to the Board for information was noted by the Board. The Chairman added that the Authority also collaborates to leverage the expertise of FICCI/CII where the Insurance Companies are members. Chairman, IRDA mentioned that one of the Sub-groups of CII/FICCI has already worked on an insurance awareness strategy. This strategy has been presented to the councils. IRDA may examine the strategy and work on the possibility of supporting such an initiative.

(ii) Executive Director informed that in principle approval has been obtained for using financial literacy centers of banks to be made available for promotion of insurance. In this context, he informed that IRDA has already obtained textbooks of CBSE for different classes and exploring the possibility of incorporating the same at relevant portion therein. It was decided that the changes proposed may be got approved by the Competent Authority before conveying the Authority's view.

(iii). While discussing further on the strategy, the following points were conveyed for implementations:

- IRDA's strategy should be aligned with National Strategy for Financial Education.
- While identifying messages targeted for the public and policyholders, it is imperative that IRDA identifies the most important messages/content that need to be conveyed to the public/policyholders from the point of view of what is most important for them to know.
- IRDA must work in collaboration with the industry / councils including by way of providing some financial support.
- There is a need to have an advertising strategy for the Industry as a whole and Life / General Councils should come up with the same.

(iv). Chairman also expressed that there is a need for promoting greater financial literacy post 2008 crash and in this context US – UK paper may also be looked into. Joint Secretary (Ins) informed that a study in UP under RSBY revealed that there is need to popularize the annuity scheme and as such pension literacy is also part of the financial literacy. Member (F&I) mentioned about the need to distinguish between financial and non-financial savings.

**Item 10: Status of work relating to e-repositories:**

The Authority perused the note. The specific case of LIC wanting to have an insurance repository as its subsidiary also came up for discussion. To a specific query on what is the conflict of interest in an insurance company having ownership of insurance repository, it was informed that as in the case of Reliance Industries Limited when they wanted to set-up their own depository, the same was disallowed by SEBI. The IRDA has followed the same approach and has not allowed insurance repositories to be subsidiaries of insurance companies. The issues relating to stamping requirement under Contract Act, Ownership Limits and Group Limits were also discussed. Concerns of over pricing of various activities by the repository and bearing of cost of the e-insurance account by the insurance company also figured in the discussion. It was decided that the economics of insurance repositories be presented in the next meeting of the Authority.

**Item 11: Status of Registration of Insurance Companies:**

Noted

**Item 12: Changes as part of Implementation of Business Analytics Project:**

**12 (a): Amendments to the IRDA Third Party Administrators (Health Services) Regulations, 2001:**

Approved.

**12 (b): Amendment of Insurance Surveyors and Loss Assessor (Licensing, Professional requirements and Code of Conduct) Regulations, 2000:**

Approved.

**12 (c): Amendment to IRDA (Insurance Brokers) Regulations, 2002:**

Approved.

**12 (d): Changes in Periodical Returns as part of Investment Regulations:**

Approved.

**Item 13: Amendment to IRDA (Registration of Indian Insurance Companies) Regulations, 2000:**

Approved. It was submitted to the Authority that Limited Liability Partnership (LLP) is a new legal entity under the Limited Liability Partnership Act, 2008 and that the Authority has examined and analysed the pros and cons between the partnership and LLP and is of the considered view that the LLP provides more regulatory comfort with respect to enhanced and better transparency, disclosures and governance standards and perpetual succession. It was further submitted that the LLP should not be permitted to have foreign entity as a partner or be a foreign entity by itself.

The Board resolved that the definition of 'Indian Promoter' be amended to include LLP as a permissible legal entity to act as a Promoter under section 2(g) of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000 and authorize the Chairman to carry out necessary changes in the said Regulations.

**Item 14: Formation of Insurance Information Bureau (IIB) Society:**

Approved. It was felt that Member (Actuary) be also included as member of the Governing Council and two eminent persons may be made Members of the Governing Council of which one should be an eminent Economist.

**Item 16: Cases pending relating to change in shareholding pattern of Insurance Companies:**

Noted

**Item 19: Amendment to Insurance Advisory Committee (Meetings) Regulations, 2000:**

The Authority considered the note. Executive Director further informed that the matter was internally examined once again through its Legal department and it was felt that the concern of the existing Regulations to have 'Term of Office' could be addressed by removing the word '(Meetings)' from the nomenclature of the said Regulations.

**Item 20: Proposed Amendments to IRDA (Registration of Indian Insurance Companies) Regulations, 2000:**

Approved. It was submitted to the Authority that the infrastructure facility definition which was earlier aligned to the RBI definition of infrastructure facility would now be aligned with the definition under the Cabinet Committee on Infrastructure as stated in the Gazette Notification dated March 27, 2012 and as amended by the Department of Economic Affairs from time to time.

The Authority noted that the proposed amendments would also be considered by IAC as well in its next meeting before giving effect to.

**Item 21: List of Circulars issued:**

Noted

**Item 22: Solvency position of Life Insurers as on 31.03.2011, 31.03.2012 and 30.06.2012:**

Noted

**Item 23: Absorption of TAC Employees:**

Noted

**Any other items with the permission of Chair**

**Table Item: Restructuring of MetLife India Insurance Co. Ltd. (MLIC) – Induction of Punjab National Bank as New Shareholder:**

Approved. It was submitted to the Board that the MetLife India Insurance Co. Ltd. (MLIC) had made an application under section 6A of the Insurance Act, 1938 for the induction of Punjab

National Bank (PNB) as a shareholder on September 7, 2011 by issue of fresh shares in favour of PNB for consideration other than cash i.e. brand value. The proposal was not acceptable to the Authority as issue of permitting an entity to issue shares for consideration other than cash would lead to unhealthy practices and is not in the interest of the harmonious growth and financially sound insurance industry. Based on the request of the MLIC, the Authority granted time to MLIC to reconsider its proposal and file it afresh.

Under the revised proposal filed by the MLIC on May 14, 2012, PNB was to be inducted as a shareholder with 30 per cent stake by transfer of shares by the existing shareholders of the MLIC, inter se sale and transfer of shares between the existing shareholders of the MLIC; change of name of MLIC to PNB MetLife India Insurance Company Ltd.; and MetLife International to be allotted 2,35,11,572 shares at par representing their rights shares and 1,98,01,833 shares out of the unsubscribed rights shares of J&K Bank.

The Board was satisfied that in public interest and to ensure that the affairs of the insurer are conducted in the interests of the policyholders, it was necessary to issue directions to the insurer under section 34 of the Insurance Act, 1938 subject to compliance with the due regulatory process.

### **Resolution**

The Board resolved that directions be issued under section 34 of the Insurance Act, 1938, and the proposal for induction of Punjab National Bank as a shareholder with 30 per cent stake in the insurance company be approved subject to certain conditions including those on appointment of Directors on the Board of the insurer by Punjab National Bank; reduction in the equity stake by some of the existing shareholders; and maintaining solvency margin as per the directions of IRDA, on compliance with due regulatory process.

(J. Hari Narayan)  
Chairman