MINUTES OF THE 75th MEETING OF THE AUTHORITY

held on January, 9th 2013 at 11:00 AM
in the Conference Room of IRDA Office, Hyderabad.

Present:	**Chairman**	**Shri J. Hari Narayan**
	Member	**Shri R.K. Nair**
	Member	**Shri M. Ramaprasad**
	Member	**Shri S. Roy Choudhury**
	Part-time Member	**Shri S.B. Mathur**
Also present:	**Designated Officer**	**Shri Sriram Taranikanti, Executive Director**
	Joint Director	**Shri Randip Singh Jagpal, HoD(NL)**
	Joint Director	**Shri A. R. Nithyanatham**
	Joint Director	**Smt. J. Meenakumari, HoD(Actuarial)**
	Joint Director	**Shri Yegnapriya Bharath**
	Joint Director	**Shri H. Ananthakrishnan**
	Deputy Director	**Shri T. V. Rao**
	Deputy Director	**Shri N. M. Behera**
	Deputy Director	**Prassad Rao Kalayru**

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri Arvind Kumar, Part-time Member, Shri V.K. Gupta, Part-time Member and Shri CA Jaydeep N Shah, all Part-time Member who could not attend because of prior commitments.

Item 1: Confirmation of Minutes of the 74th Meeting of the Authority held on 4th Oct, 2012.

Confirmed.

Item 1 A: Action Taken Report on the Minutes of the 74th Meeting of the Authority held on 4th October, 2012.

a. In respect of Persistency it was informed by JD(Actl), that the matter is under process. On this, it was further noted that Persistency being captured at three different levels – AAAR disclosure, norms of F&A and Agency persistency. There is a need to standardize the same. While doing so, the views of the concerned departments be considered and a standard definition issued by Actuarial department. The Authority also directed that the matter be dealt expeditiously.

b. As regards the draft IRDA (Sharing of Confidential Information concerning domestic and foreign entity) Regulations 2012, the Authority in its 74th Meeting suggested that the following points be looked into prior to notification of the regulations:

i) Whether the expression 'lock and key' covers information stored by way of electronic means where access would be through password.

ii) Whether there is a need to consult with Ministry of External Affairs.

Mr Ananthakrishnan, JD Legal apprised the Authority that

i) The expression 'lock and key' includes information stored in electronic means also as could be seen from perusal of international documents relating to confidential information.

ii) Regarding consultation with Ministry of External Affairs, a letter dated 27th February, 2012 from Ministry of Finance, DFS, clarifies that (i) Regulators can sign MoUs/Agreements which are only for technical collaboration and (ii) a copy of the signed document should be sent to Ministry of External Affairs, Department of Financial Services, Department of Economic Affairs and Department of Commerce.

The Authority was also informed that the Hindi Translation of the above draft regulations have been obtained and the draft regulations are ready for notification.

c. The Authority also noted the Action taken in respect of the other items.

Item 2: Emergency Medical Relief for Highway Road Accidents Victims.

Member (Non-Life) briefed the Board on the proposal put forth by the General Insurance Council for undertaking a pilot project in providing emergency medical relief for highway road accident victims. It was informed that accidents on the express/ national highways are primarily fatal and lead to death or permanent disability of the victim, if the victim is not provided the right medical service within an hour of occurrence of an emergency which is normal parlance is called the "Golden Hour". Further reports seem to suggest that if an emergency victim is accessed to a treatment facility within an hour of occurrence of emergency (GOLDEN HOUR), the chances of survival are improved by 20% and usually 20% of lives are saved and 20% of morbidity is reduced. He explained that the pilot which was for two year duration will be undertaken on the Hyderabad-Vijaywada stretch of National Highway 9. This stretch was chosen as there is high density of passenger vehicles and is prone to accidents and also has well established trauma and hospital facilities with medical ambulance services enroute. It was submitted that this project may throw out possibilities of financial savings in terms of claims paid towards death and injury on account of road accidents. It would help towards building a financial / economic model for dealing with the issue. It can also lead to significant benefits to the insurance companies such as a) Positive publicity for the Insurance companies; b) Increase consumer awareness of Insurance and its benefits; c) Immediate details of accidents will be available; d) Insurance relevant information availability from accident site; e) Reduction in fraud cases owing to immediate response; f) Reduction in unnecessary litigations, thereby reduction in claim costs.

It was also explained that due to adoption of two Key Strategies namely Emergency response and management services (EMRS) and Accident Prevention Interventions (API), this is expected to reduce the number of accidents and thereby fatalities. The Board was informed that arising out of these interventions, there could be a net saving of Rs 5.74 crores per annum to the general insurance companies. As against this the total project cost was Rs 9 crores over a two year period translating into Rs 4.5 crores per annum which is being shared between the IRDA and general Insurance Council on 50:50 basis. From a cost-benefit perspective, this pilot is expected to be beneficial though the primary intention is that of a model that could be scaled suitably.

Mr S.B. Mathur welcomed the initiative and informed that as per the new Companies Act, all companies are expected to spend 2% of their profits on the Corporate Social Responsibility. The contribution towards such a measure would also enable the general insurers to meet the companies act requirement. Chairman, added that another benefit that could flow out from this project could be the increased awareness in insurance and increased sales of insurance. He suggested if the companies could be advised to collect the insurance sales in the area surrounding this stretch currently and at the end of the pilot to also test the effectiveness of the project on this front as well.

It was recognized that in due course, a view needs to be taken on the classification of expenditure of such schemes if the Council and IRDA feel the need to wider the scope of the scheme to a higher level.

Member (F&I) also welcomed the initiative and suggested that other accident prone national highways may also be considered. ED (Admn) pointed out that the cost-benefits could be more as the current calculations do not take into consideration the economic losses and the savings that will flow to the life insurance industry from saving in lives. He also added that even if the financial viability is limited, given the social impact and the economic savings, other agencies such as MORTH etc. could make the viability funding for scaling of the model.

The Authority approved the proposal of General Insurance Council with participation by the IRDA on 50:50 basis. It was noted that this would be to a tune of Rs. 4.5 Crores over a period of two years.

Item 3: Revision to IRDA's (General Insurance – Reinsurance) Regulations, 2000.

HOD (NL) briefed the Board on the proposed amendments to the Reinsurance Regulations which are based on the report of the Committee on Reinsurance and suggestions of the Insurance Advisory Committee. It was pointed out that these revised regulations can replace the existing ones without waiting for Act amendments. The main amendments include: a) Explicit provision to make them applicable to Reinsurers; b) Certain definitions and words added to bring clarity; c) Concept of quality of risk while determining retention; d) Past claim performance of the Reinsurer to be considered while placing Reinsurance; e) Replacement of "1999-2000 retention levels within India" to those specified by Authority from time to time; f) Stress testing to demonstrate the adequacy of Reinsurance protections for disaster scenarios; g) Differential limits of cession to overseas reinsurers depending upon their rating. It was further hoped that these changes would encourage Indian insurers to opt for reinsurers with higher ratings and give comfort in the claims paying ability of that reinsurer.

The Authority noted that the IAC had concurred to the above in its meeting dated 17.12.2012.

The Authority approved the revision of General Insurance – Reinsurance Regulations.

Item 4: Proposed Insurance Regulatory and Development Authority (Life Insurance – Reinsurance) Regulations, 2012.

HoD (Actl) explained the rationale of the proposed regulation with respect of the introducing the obligatory sessions, retention policy, and regulatory reporting retention requirements. The members then deliberated on the draft and, in particular, on the issue of regulatory reporting retention limits. She clarified to a concern raised by the member that the Authority does not intend to prescribe any mandatory retention limits and the retention limits as proposed in the draft are only reporting limits. In case on any reinsurance less than regulatory reporting limits, the regulation requires insurer to justify such limits with detailed information. The enabling provision in the draft regulations for lowering the credit for solvency margin in tune with the retention limits was also noted.

The Authority noted that the IAC had concurred to the above in its meeting dated 17.12.2012.

The draft regulation as placed to the Authority is approved.

Item 5: Proposed Insurance Regulatory and Development Authority (Appointed Actuary) (First Amendment) Regulations, 2012.

HoD (Actl) explained the proposed changes in the amendment of the proposed regulation. The members then deliberated on the draft, in particular, on the specializations & certificate of practice requirements, employment conditions and the age limits. It was clarified that the specialization requirement is brought in to ensure that the Appointed Actuary has expertise in the relevant field. To a specific query, HoD (Actuarial) also informed the members, that the Authority has the general powers under the main regulation to relax any of the requirements if the situation demands.

The Authority noted that the IAC had concurred to the above in its meeting dated 17.12.2012 and the present proposal includes the suggestions made by the President, IAI on the requirements for certificate of practice.

The draft regulation as placed to the Authority is approved.

Item 6: Proposed Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2012.

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Item 7: Proposed Insurance Regulatory and Development Authority (Non-Linked Insurance Products) Regulations, 2012.

HoD (Actl) informed the members that majority of the provisions in the IRDA (Linked Insurance Products) Regulations, 2012 are compilation of the existing circulars and guidelines issued by the Authority from time to time.

It was also explained that, the products where benefits are linked to the index are brought under the linked platform as Linked variable insurance products. These products are now aligned to the unit linked product guidelines.

The Authority noted that the IAC had considered the above draft regulations and made certain suggestions in areas like procedure to impliment the reduciton in yield and concurred to the same. Based on the suggestions of IAC, certain changes have been made in the drafts like simplified procedure to impliment the reduction in yield etc.

Chairman explained the existing guidelines on variable Insurance products and suggested the need to bring down the rates for benefit illustrations for non-linked products to 4% and 8% instead of 6% and 10% and for linked products, the current rates of 6% and 10% may be retained. This was agreed to by the Members. He also explained the need for fee structure that is being proposed for long term group protection and group savings products for the services rendered by the group policyholders. It was suggested that against the existing provision in the draft placed which prescribes an absolute amount as fee for each service, it should allow the Authority to prescribe the limits for each service from time to time along with the current limits. In the context of prescribing the maximum group size, the members suggested that the maximum group size should be 5000 instead of the proposed 10000.

Chairman also suggested that the regulations should make a provision for a clause where any product/feature already allowed to an insurer should not be denied to other insurers, unless such feature/product is withdrawn or withdrawal notice is already served by the Authority. The Authority should give three months' notice for withdrawal of such feature / product.

The Authority after consideration and deliberations on the above, approved the proposed Regulations with the following changes:

1. Benefit Illustrations for Non-linked products to be 4% and 8% instead of 6% and 10%.
2. Maximum group size should be 5000 instead of proposed 10000.
3. Apart from the current limits now specified in the draft Regulations, the remuneration to the master group policyholder for the service rendered should be such as the Authority may fix.
4. Where any product/feature already allowed to an insurer should not be denied to other insurers, unless such feature/product is withdrawn or withdrawal notice is already served by the Authority. The Authority should give three months' notice for withdrawal of such feature / product.
5. After the cut-off date, existing products may be allowed for future sale if written request is received by the prospective policyholder and specific request is taken from the Authority for each such request. This provision shall be available for a period of one year from the date of cut-off.

Item 8: Policy for Internship in Authority.

ED (Administration) explained the rationale behind the present proposal submitted to the Authority. He also informed that the Authority would be benefitted by having interns which may be approximately to 5 % of the overall strength of the Authority. Mr. S.B. Mathur raised the issue of data security and leakage of data from the Regulator more particularly, if the interns directly join an insurance company after such internship at the Authority. It was then clarified that the Internship would be for those who are in the middle of a course and would not be open as a form employment for those who have completed their studies. Member (F&I) informed that such a practice of taking interns is in existence in SEBI for the legal stream. After discussions, it was decided to check the practice in other Regulators before taking a formal view on the matter.

Item 9: Scheme for Sponsorship Research Work on Insurance.

The Board approved the scheme proposed by the Authority for sponsorship of research work in the areas of insurance awareness, insurance penetration and subjects concerning policyholder protection and advised adding the following procedural aspects:

1. Consultation of the respective department/s depending on the subject proposed for research.
2. Routing the proposal through the concerned Member of the Authority and
3. Specifying that the competent authority for approval of a proposal is the Chairman of the Authority.

Item 10: Proposal by General Insurance Council (GIC) for Pan India Insurance Awareness Campaign.

The Authority approved the proposal to sponsor 75% of the expenses of the pan India insurance awareness campaign proposed by the General Insurance Council, which has estimated the expenses towards Media Plan as Rs.17.5 Crores and the costs of production and monitoring/audit as Rs. 2.5 Crores, subject to the following:

1. The above should comprise the Authority's share of the cost towards utilization of the financial literacy centres by the insurers which is to be piloted by the Councils.

2. In respect of the proposed mass media campaign, when it comes to media expenses, only campaigns carried out at DAVP rates would be supported. The Council is advised to carry out the various campaigns at DAVP rates to draw maximum mileage.

3. The campaign will be under the banner of the General Insurance Council.

4. The commitment on the part of the Authority would be limited to a maximum of Rs. 15 crores.

Item 11: Cases pending relating to Shareholding Pattern of the Life Insurance Companies.

Noted.

Item 12: Status of Registration of Insurance Companies.

HOD (NL) informed the Board that currently there was only one application that of Cigna TTK Health Insurance Company Limited which is under process. Member (F&I) informed the Board that the F&I has taken up the financial due diligence of the promoter companies. Similarly the other departments were also processing the application. Chairman, IRDA suggested that hence forth the status of application pertaining to life and general insurance may also be shown even if there were no applications pending. ED (Admn) suggested that hence forth HOD (NL) may take coordinate and collate information from various departments such as Life, Non-Life, Actuarial, F&I, etc. for putting up the status to the Board.

Item 13 a: Public Disclosures life for the half year ended September 2012.

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Item 13 b: Status of Public Disclosures by Non-life insurers for the half year ended September 2012.

The status report regarding public disclosures for both life and non-life segments were placed before the Authority. On the observation from one of the members, that non-life PSU's were defaulters, Member (Non-Life) informed the Board that recently the department had conducted a workshop of compliance officers regarding the filing of various returns and disclosures to the Authority. None of the public sector companies had expressed any major challenges in meeting the timelines stipulated by the Authority. In light of the above, the Authority took note of the Public Disclosures with and advice to the department to follow-up with the insurers on timely disclosures.

Item 14: Insurance Repositories.

The Authority perused the agenda note on the status of the e-insurance repositories. HoD(NL) gave a brief review and informed that the Authority had granted in-principle approval to five insurance repositories. The Authority was informed that the Department of Financial Services had raised two issues: i.e. Whether the LIC can start its own e-Repository and therefore can have more than 10% stake in such Repositories. Secondly, they raised an issue on why the policyholder should not bear the cost of e-insurance instead of the insurance company. The Authority had clarified to them in the first case it would lead to a conflict of interest and in the respect of latter it would be desirable that the Insurer picks up cost as this would ensure e-account is continuously maintained and without any disruption for want of payment. It was further pointed out that in any case, the ultimately cost is always borne on the policyholder.

HoD (NL) further informed that LIC's concerns revolved around data integrity and data protection and it was explained that LIC would be free to validate the security systems of the insurance repositories and satisfy themselves. As regards, their investment on electronic systems, LIC could suitably negotiate an appropriate deal with Insurance Repository directly. Besides, in the current proposed course of action, they would have the extra time flexibility to time their entry into the proposed systems. Keeping in view these concerns, he also informed that it is now suggested that insurance repository system be brought in operation to such Insurers which are ready to adopt.

ED(Admn) clarified that in order to ensure total transparency to the policyholder from the initial stage itself, the Insurance Repositories shall be asked to upfront announce the names of the insurance companies with which they have agreements for e-insurance maintenance and also the various jobs and services that they would offer. The policyholder then would be in a position to make a choice whether to open an e-account or otherwise. Further the customer will have a choice of shifting to another Repository in case better services are offered.

Mr S.B. Mathur welcomed the initiative and saw it is an opportunity that would reduce policy administration costs and improve servicing. He added that the present methodology of introducing the Insurance Repository system to willing Insurers will also help in self-correcting and smoothening operations by the large players like LIC enter the fray.

On a query from Member (F&I) on the pricing, it was clarified that these would be decided between the insurance repositories and insurance companies. Mr.S.B. Mathur also clarified that when the insurance repositories had made presentations to them, Life Insurance Council viewed that the price of the services should be negotiated between the two parties.

Member (F&I) also suggested that the Authority may consider having a formal regulatory architecture in place. HoD (NL) clarified that the Authority had deliberately issued guidelines in order to gain the experience and bring changes based on the experience gained. It will convert these into regulations once the system settles down. It is also proposed to take a suitable undertaking from the Insurance Repositories to ensure compliance of the Authority's directions from time to time.

Chairman added that over a period of time, Insurance Repository system can be used for facilitates 'KYC issues.

The Authority agreed to the issuance of licenses to the aforesaid insurance repositories on the above lines.

Item 15: List of Circulars/Notifications/Guidelines issued from 1st Sep, 2012 to 31st Dec, 2012.

Noted.

Item 16: Status Report of Construction of Building of IRDA as on 31.12.2012.

The Authority perused the Agenda note. ED (Admn) informed the Authority that the progress of the construction of the building is extremely slow and this despite multiple inspections and follow up at various levels including that of Chairman and MD, APIIC. It has now been informed by APIIC is in favour of cancelling the contract and is wanting to issue the balance work afresh. This would involve an additional expenditure of about Rs. 7 to 8 crores on account of cost escalation and the recovery of this amount from the present contractor would be time consuming. Therefore, APIIC is expecting that the extra cost will have to be met by the Authority. He also informed that in Authority's in its 74th Meeting had informed that change of contractor may not expedite the result in expediting the work in itself. However, taking into account the changed circumstances and the virtual lack of progress on the part of the existing contractor, the Authority viewed that it would be advisable to go on the lines suggested by APIIC and the extra cost being inevitable will have to be borne by the Authority. It is also suggested that a formal letter may be taken from APIIC before communicating the above decision.

Item 17: Implementation of Internet and e-mail Policies.

Approved.

Item 18: Endowment to University of Hyderabad.

Approved.

Table Item No. 1: Reorganization of IRDA.

Noted & Approved.

Any other item with the permission of the Chair:

Medical Assistance Fund:

In the 73rd Authority meeting, Authority had approved the Medical Assistance Fund (MAF) for the serving / retired Employees of the IRDA. This scheme was aligned on the pattern of that in existence at SEBI. It was informed that at the stage of drafting the Medical Assistance Fund scheme for the IRDA employees, it was noticed that in respect of retired Chairman, whole-time Members and their spouses of IRDA, they are not so far brought within the IRDA Group Mediclaim Policy although the scheme envisages the same. As a result of the same, the Medical Assistance Fund scheme in respect of them would have to be then differently regulated than what was envisaged in the scheme on the pattern of SEBI. It is therefore felt that it is necessary to completely align the same with that of the SEBI.

The Authority noted the above and approved accordingly.

(J. Hari Narayan)
Chairman