



MINUTES OF THE 77th MEETING OF THE AUTHORITY

held on 4th May, 2013 at 11:00 AM
in the Conference Room of IRDA Office, Hyderabad.

Present:	Chairman	Shri T. S. Vijayan
	Member	Shri R.K. Nair
	Member	Shri M. Ramaprasad
	Member	Shri S. Roy Chowdhury
	Member	Shri S B Mathur
	Member	Prof V.K. Gupta
	Member	Shri Arvind Kumar
	Member	CA Subodh Kr Agrawal
Also present:	Designated Officer	Shri Sriram Taranikanti, Executive Director
	Sr. Joint Director	Shri Suresh Mathur
	Sr. Joint Director	Shri M. Pulla Rao
	Joint Director	Shri Randip Singh Jagpal, HoD (NL)
	Joint Director	Shri S. N. Jayasimhan
	Joint Director	Dr. Mamta Suri
	Joint Director	Smt. J. MeenaKumari, HoD (Actuarial)
	Joint Director	Shri H. Ananthakrishnan
	Joint Director	Shri V. Jayanth Kumar
	Joint Director	Shri A. Ramana Rao
	Joint Director	Shri T. S. Naik
	Deputy Director	Shri R. K. Sharma
	Deputy Director	Shri Prasad Rao Kalayru
Sr. Assistant Director	Smt. B. Padmaja	

Chairman extended a warm welcome to all those who were present and initiated the discussion. Thereafter the agenda was taken up.

Item 1: Confirmation of Minutes of the 76th Meeting of the Authority held on 8th February, 2013

Confirmed.

Item 1A: Action Taken Report on the 76th Meeting of the Authority held on 8th February, 2013

Persistency Circular

It was informed to the Authority that the Draft Persistency Circular was circulated to the Institute of Actuaries of India and the Life Insurance Council. The views received are being collated for issuing the final circular. In this connection, it has been advised that the final draft may be circulated to the Members of IRDA for their specific views if any, before issuing the circular.

IRDA (Appointed Actuary) First Amendment Regulation 2013

In response to one of the concerns raised on the requirement of prescribing the qualification in the specialization subject for the position of Appointed Actuary and the present position of non-availability of Actuaries in the Non-Life industry, it was informed that the Authority has the power to relax these requirements under IRDA (Appointed Actuary) Regulations, 2000. Such relaxations were already given to few candidates. It was informed that the Authority will continue to consider relaxing such requirements till such time the market has suitable professionals.

IRDA (Linked Insurance Product) Regulations, 2013 and IRDA (Non-Linked Insurance Product) Regulations, 2013

It was informed to the Authority that the IRDA (Linked Insurance Product) Regulations, 2013 and IRDA (Non-Linked Insurance Product) Regulations, 2013 have been notified. However, Chairman informed the Authority that there were many representations from the Industry in terms of extending the time period for implementing the Regulations and also to issue clarifications with respect to certain provisions. In this connection, the Authority considered the views and authorized Chairman, IRDA to have necessary clarifications issued as well as make necessary changes in the Regulations, if required.

IRDA (Places of Business) Regulations, 2013

The Authority noted that IRDA (Places of Business) Regulations, 2013 are notified. Sri Arvind Kumar, JS-DFS pointed out that while the regulations are notified, the section seeking to mandate all Insurers to open a specific percentage of branches in Tier-II and below centres has been omitted. He expressed a view that in the absence of such a provision, Insurers may not voluntarily spread their network in these centres which will affect the Financial Inclusion activities and penetration into these areas.

Member (Life) replied that in case of such mandate to open in unviable areas, there is a danger of these insurers closing down offices in large numbers which may in turn affect customers. Chairman expressed a view that Insurance mainly spreads and grows by the presence of licensed intermediaries and not necessarily through brick and mortar offices and we may use the infrastructure of CSCs and the low cost models being conceived for Micro Insurance to further Inclusion/penetration keeping both sales and servicing in view. Chairman finally viewed that an approach note in this regard will be brought before the Authority's next meeting containing details of presence of insurance offices (both public and private) in various tiers of centres and classification such as Metro, Urban, Semi-urban, Rural areas.

IRDA (General Insurers Claims Reserving) Regulations, 2013

It was informed to the Authority that the draft regulation, as advised in the previous Board meeting, was referred to the Standing Committee on Accounting matters to enable convergence of terms of various provisions framed wherever required. The Standing Committee constituted a Sub-committee which is expected to provide inputs in 3 months' time. In this connection, Chairman IRDA advised to get the required inputs much earlier as these would need to be taken for the Accounting system of the year.

IRDA (Health Insurance) Regulations, 2013

The Authority noted that the IRDA (Health Insurance) Regulations, 2013 were notified. In this context, Member (NL) informed that the Industry had discussions with the

Authority on certain issues. The CEOs of Insurance Companies suggested that instead of re-filing the existing approved products, they may be allowed to give a certificate that the changes as required under the Regulations are being complied and sought that the Authority may accept the same (This provision is already available in the Regulation 17 (i) of IRDA (Health Insurance) Regulations, 2013 where there is no change in the premium rates, benefits and loadings). They felt that this approach will enable them to focus on the rest of the products so that the timelines there too can be stuck to. In this context, the Authority authorized the Chairman to issue necessary clarifications as may be needed.

Further Shri S.B. Mathur, Member pointed out that the execution of Tri-partite Agreements among the Insurers, TPA and Hospitals may be a cumbersome activity as they may not be located at the same place. On this, the Chairman responded that it would be necessary that the Insurers should be necessarily involved in this activity and a suitable way has to be worked out. While on this, Member (NL) informed that this agreement could be signed on behalf of the Insurer by a local manager, who can be specifically delegated by the Insurer for this purpose.

Item 2: Transfer of Shares by Reliance Life Insurance Co. Ltd

Approved.

Item 3: Status of Registration of Insurance Companies

Noted.

Item 4: Status on Insurance Repositories

The status note on Insurance repositories was placed before the Authority. Executive Director (Administration) explained that in order to avoid opening of multiple e-insurance accounts by the same individual, Central Index Server was conceptualized. It was informed that the software application for Central Index Server was ready and discussions with STQC are underway for software quality testing certification and security audit. Simultaneously the Authority is in discussions with C-DAC to finalise the process of hosting of the Central Index Server. It was informed that the commencement

of the operations by the Central Index Server will pave the way for grant of licenses to the insurance repositories.

Joint Secretary, (Insurance) pointed out the issue relating to bearing the cost of maintenance of e-account and e-policies which was earlier also raised in the discussion that IRDA had with the then DFS Secretary. He further opined that the initiative should be customer centric and any savings in costs should be shared with the policyholder. He also suggested that above a certain sum assured or premium amount e-insurance policies should be made mandatory. He also desired that detailed calculations of the business model of the Insurance repositories should be undertaken and put up to the Authority and how it will benefit the customer explained. In this context, Executive Director (Administration) informed that the most of the above issues as well as the issues earlier raised by the Department of Financial Services were all taken into record in the 75th Authority Meeting on 9th January, 2013.

Noting of the above observations, it was decided that a detailed note will be once again placed to the next Authority meeting.

Item 5: List of Circulars/Notifications/Guidelines issued from 1st February, 2013 to 27th April, 2013

Noted.

Item 6: Status report of construction of building of IRDA as on 31.03.2013

Noted. To a specific observation by Shri Subodh Kumar Agrawal, Member, Executive Director (Administration) informed that APIIC was given the project on turnkey basis and they in turn invokes penal provisions on the contractor. It will be suitably taken with them whether this can be passed on to IRDA. It was decided that the physical status of progress be brought once in three months while aspects of status including financial matters be brought once a year.

Item 7: Cases pending relating to Shareholding pattern of the Life Insurance Companies

It was informed to the Authority that three applications of the shares transfer had since been approved. The status of the other applications was noted by the Authority.

Item 8: Status of Public Disclosure of Life Insurers for the quarter ended December, 2012

Noted.

Item 9: KYC norms- Written Confirmation from banks towards Proof of Identity (Pol) and Proof of Address (PoA)

The Authority was informed that the Anti-Money Laundering (AML)/Counter Financing of Terrorism (CFT) guidelines applicable to the insurance sector, permit "Written confirmation from the banks where the prospect is a customer, regarding identification and residence". The guidelines have however, been relaxed in case of micro insurance products wherein current passbook/current statement of account is sufficient documents towards Pol and PoA and written confirmation need not be insisted.

It was suggested by a Member that the feasibility of extending the aforesaid relaxation to all the insurance products (but not limited to micro insurance products) be examined. It was then submitted that there are concerns relating to confirmations received from Co-Operative Banks and possible laxity in compliance with the AML/CFT requirements by such banks. Chairman however suggested to have the specific reason for including only Micro Insurance for such relaxation, examined.

It was decided that the issues relating to written confirmations from banks being used as Pol and PoA examined in depth and ensured that systemic issues, if any, in compliance, are appropriately addressed.

Item 10: Status of change in the Shareholding pattern of the Non- Life Insurance Companies

Noted.

Item 11: Status of Public Disclosures by Non-Life Insurers for the Quarter ended Dec, 2012

Noted.

Item 12: Quarterly Report (upto 31st March, 2013) on products cleared by Products Approval Committee

Noted.

Item 13 : Status note on IRDA Fund

Noted. To a specific query from one of the members, it was informed that some of the other regulators are facing similar issues also not transferring funds to the Consolidated fund of India. One of the Members also suggested to take, among other measures campaign against mis-selling of policies.

Item 14: Budget of IRDA for 2013-14

Approved. It was pointed that the budget of the Consumer Affairs Department should be classified into two parts viz., amount to be spent towards Consumer Awareness and Grievance management. Also, it was decided that a note showing the impact analysis of awareness campaign so far carried out by the Authority may be placed before the Authority in its next meeting. Steps also may be taken to work towards creating suitable platforms where General Insurance and Agricultural Insurance can be better delivered.

Item 16: Agents' Training Institutes process of accreditation/approval

Approved.

Item 17: Rent for Third Floor (East Wing) of Parishram Bhavan

Approved.

Any other item with the permission of the Chair:

Table Item 1: Reconstitution of Insurance Advisory Committee

The Authority considered the proposal as well as the names suggested in the note. It further noted that as per Section 25 of the IRDA Act 1999, the Insurance Advisory Committee (IAC) should comprise members representing the interests of commerce, industry, transport, agriculture, consumer fora, surveyors, agents intermediaries, organizations engaged in safety and loss prevention, research bodies and employees' association in the insurance sector. In this context, it was suggested, the Chairman-cum-Managing Director of Agriculture Insurance Company be also nominated as a member of the Insurance Advisory Committee, (this may be in place of Representative of FICCI as it was noted that CII is representing the Industry). Further, the name of Prof. Jayant Verma,(IIM-Ahmedabad) who is an expert on finance and securities was also proposed to be included as IAC member. With the above changes, the reconstituted members would be as follows:

1. Chairman, Life Insurance Corporation of India
2. Chairman-cum-Managing Director, United India Insurance Company Ltd
3. Chairman-cum-Managing Director, General Insurance Corporation of India Ltd
4. CEO, ICICI Prudential Life Insurance Co Ltd
5. CEO, Bajaj General Insurance Co Ltd
6. CEO, Star Health Ins Co Ltd
7. CMD, Agriculture Insurance Co. Ltd
8. Joint Secretary (Transport), Ministry of Road Transport and Highways, Government of India
9. Director, National Insurance Academy
10. Managing Director, Institute of Insurance and Risk Management
11. President, Institute of Actuaries of India
12. President, Insurance Brokers' Association of India
13. CAO, United Healthcare Parekh TPA Pvt Ltd
14. Representative of Confederation of Indian Industry

15. President, Indian Institute of Insurance Surveyors & Loss Assessors
16. Secretary General, National Federation of Insurance Field Workers of India
17. Director, Sa-Dhan
18. CMD, UCO Bank
19. Shri N.M. Govardhan
20. Smt. Kaya Sengupta, Director, IIM Shillong
21. Prof Jayant Varma, IIM, Ahmedabad
22. Shri S Ravi, Raviraj & Co
23. Shri Raghav Narsalay, Lead Economist
24. Shri Asadullah Pasha, President ATI Association
25. Shri Sessa Bhatta Srinivas Chari, Hyderabad

Discussion on Developmental Issues

Health Insurance

I. Universalization of Health Coverage through Insurance Mechanism

Noted

II. Revision in pricing on a yearly basis

In response to a particular request from the insurers to allow a formula based or index based pricing it was explained that the proposal is difficult to implement as there is no specific medical inflation index. In addition, it was explained that the medical inflation is associated with claims and not directly to premium. Hence, a percentage increase in premium by linking to an index or a specified number may not be practical as it may involve ever increasing premium rates. To a subsequent related query on whether a premium hike can be made applicable only to those who make a claim, it was explained that it may be against the pooling of risk concept and may not therefore work.

Life Developmental Issues

III. Product Related Issues – including Standard and Group products

It was informed to the Authority that the standardization of 18 life insurance products is being attempted by constituting four working groups involving majorly from insurance industry along with representatives from Authority. The Committees were expected to provide the Standard Products by 15th April, 2013. However, only one product has been submitted so far. As the progress appeared to be delaying, Chairman IRDA, advised the Actuarial Department of IRDA to attempt 5 products to standardize. This has since been completed and will be released shortly to the industry for their views. After the views are examined, the standardized products would be implemented for Use & File. In this connection, one of the members advised to have specific time frame to complete the task and it was agreed that this task would be completed in 2 months' time.

IV. Group products to Non-Employer Employee Homogenous groups

It was explained to the Authority that five category of products stated in the agenda are allowed for Non-Employer Employee Homogenous Groups, except the Long Term Group Insurance product with regular pay which was restricted to Micro Insurance products. The rationale behind such measure was explained that exits would be difficult to administer. In particular, when the member exits, the policy should be converted to an individual policy with same terms and conditions. Generally, group policies have competitive premium rates when compared to individual premium rates. Due to this, Insurers may have concerns on converting group policies to individual policies without changing terms and conditions.

In this connection, it was advised that such group policies for Non-Employer Employee Homogenous Groups should be allowed provided Insurer is willing to agree to the exit conditions as above. It was also suggested that the premium limit may be reviewed based on experience.

V. Measures to increase insurance penetration through Micro Insurance

Mr V Jayanth Kumar, Joint Director (Life) informed that expansion of the definition of who can be a Micro Insurance Agent has been done vide Circular dated 3rd April 2013 Ref: IRDA/Life/Cir/MIN/065/04/2013. Many new entities such as DCCBs, RRBs, UCBs, PACs, Coop Societies are now included. Further the circular notified Companies registered under Companies Act,1956 and individual owners of Kirana shops ,PCOs, Petrol Bunks , Fair price Shops , Medical shops located in Rural areas who are appointed as Business Correspondents of Banks under extant RBI guidelines as eligible to become MI Agents.

The revision of MI Regulations is also looking at expanding permissible product portfolio of Non-Life Micro Insurance products to MSME Sector. These two moves are expected to help Insurance penetration into rural areas and help improve inclusion activities.

To a specific suggestion whether Micro Insurance agents can sell products of all companies, it was expressed that there could be issues relating to servicing. There may be issues which may result differential Commissions in mis-selling. There may be a need for standard products to be first developed before this could be considered.

VI. Opening of offices

The matter was discussed in the Action Taken Report at Agenda item no.1A.

Intermediaries – Development Issues

VII. Senior Agency Model

Shri T.S. Naik, Joint Director while initiating the discussion, explained in detail about the recent initiatives taken by the Authority in improving the Agency System. He also shared the thought process on Senior Agency Model, draft on which is already under examination, as to how this model could make Insurance Agency profession attractive to prospective aspirants. In response, Shri S.B. Mathur informed that the issue of Sr. Agency model at the draft stage was discussed with Life Insurance Council. Shri Sriram Taranikanti, Executive Director in response informed that issues relating to conditions for both Mentors and Agents were being addressed at the time of last meeting. But now as the same were attended, the issues can be suitably taken forward. Chairman too observed that a model similar to the Sr. Agency is already there in LIC and is contributing well to the business. Here, in this model Sr. Agent could on one hand play the role similar to Development officer/Unit Manager and on other, procure his own business. Further he directed the concerned department to come out with a detailed note on key features of the model and place before the IAC in its next meeting.

VIII. Allowing banks as brokers

Mr. Suresh Mathur, Sr. JD (Intermediaries) informed all the members that consequent upon Hon'ble Finance Minister's announcement in the budget that Banks could function as brokers, IRDA has circulated an exposure draft to Life Insurance Council, General Insurance Council and IBAI. The suggestions are received and draft circular incorporating the changes needed to allow banks as brokers worked out. This would entail the following changes to the Brokers regulations;

1. Enlarge the definition "person" under regulation 2(1) (j) to include schedule commercial banks;

2. Designate a General Manager or equivalent to be appointed as “Principal Officer” as required under regulation 2(1) (k);
3. Excluding banks from maintaining minimum capital required under regulation 10(1) (i);
4. Condition of exclusivity has also been relaxed as required under regulation 10(1)(iv) for banks;
5. FDI cap required under regulation 10(2) to be in line with sectorial cap applicable to banks;
6. Defining deposit requirements as required under regulation 22;
7. Separate Maintenance of books of accounts as required under regulation 25

The Authority was informed that this is proposed to be issued initially and brought within the regulations in due course.

Non-Life Insurance – Development Issues

IX. Issues relating to Motor Insurance

- a. The Authority took note that the current file & use guidelines do not prohibit general insurers to file long term motor third party insurance policies and therefore it is upto the general insurers to file the same with the Authority for consideration.
- b. The Authority took note of the communication sent to General Insurance Council advising them to work out a mechanism to check frauds and also have distance criteria for use of cover notes,
- c. The Authority took note of the communication sent to General Insurance Council advising them to impress upon its members to take special efforts to settle third party motor claims pending with the various Motor Accidents Claim Tribunal (MACT) claims expeditiously.

X. Reinsurance

The Authority took note of the steps on the need to have clear regulations in respect of foreign re-insurers. It took note of the Authority’s guidelines for registration of cross border reinsurers in order to bring consistency and uniformity of approach. It also took note of the

recent amendments to the Reinsurance regulation which makes it mandatory for general insurers to consider the claims paying record of reinsurers before placing reinsurance with them. Further, it took note of the report submitted by the Reinsurance Committee set up by the Authority to suggest procedures and process for registration of branch office of foreign reinsurers. Lastly, it was noted the regulations will be issued after amendments to the Insurance Act.

XI. Product related issue including standard products (for Non-Life)

The Authority took note of the products identified in the categories of fire, engineering, motor, marine cargo and Workmen Compensation which can be considered under “use & file” and that General Insurance Council has been asked to come out with their views on the standard products that could be considered for Use & File. The process of drafting necessary guidelines in this regard is underway.

XII. Solvency Margin-Whether to allow Fair Value change account in calculating Solvency Margin.

Noted.

(T. S. Vijayan)
Chairman