

With the above discussions, the minutes of the 82nd Meeting of the Authority held on 10th March, 2014 were confirmed.

Item No. 2: Action Taken Report on the 82nd Meeting of the Authority held on 10th March, 2014

Noted.

Item No.3: Minutes of 71st to 81st meetings of the Authority where action is under process.

Noted.

Item No. 4: Note for the consideration of the Authority on the procedure to be followed in respect of insurance brokers who have violated regulation 23 of IRDA (Insurance Brokers) Regulations, 2002.

The agenda on the procedure to be followed in respect of insurance brokers who have violated Regulation 23 of IRDA (Insurance Brokers) Regulations, 2002 was placed before the members of the Authority. A presentation was made to the members giving the background of insurance brokers in the country, utilisation of monies kept in Insurance Bank Account by the reinsurance/ composite brokers in violation of Regulation 23, actions taken by the Authority, revision of insurance broker regulations, clarity in Regulation 23 by removing the word “interest” and explicit restriction on keeping monies in FDs or invest in other financial instruments. The presentation also covered the new requirements laid down in the revised regulations to further strengthen the compliance to Regulation 27, documentary requirements for remittance of reinsurance monies, reasons for holding monies and proposed action plan.

The members discussed the proposed plan of action to address the issues that had arisen due to non-compliance of Regulation 23 by some of the reinsurance / composite brokers. One of the members suggested that in order to disincentivise the broker from earning interest on the monies kept in the Insurance Bank Account, the Department may consider imposing penal interest on the monies that are kept by the broker over the time period prescribed by the Authority. It was explained that each reinsurance transactions being different, it would be difficult to monitor and the time limit would vary from each reinsurance arrangement/ transaction. Therefore it may be difficult to prescribe a time limit and administratively it may add to the costs. Chairman at this stage advised to collect the details of un-reconciled balances lying with the brokers and the average time taken by the brokers to settle the monies.

He therefore advised that the matter be deferred for the next Board meeting and the matter be brought after collecting the above information.

Item No. 6: Status of Public Disclosures by Non-Life insurers for the Quarter ended December 2013.

Noted.

No. 7: Status of Change in the Shareholding Pattern by Non-Life insurers.

Noted

Item No. 8: National Skill Development Corporation (NSDC) India

- i. Shri TS Naik, Joint Director, Agency Distribution gave a brief background of the proposed Skill Development Programme for insurance Agents. He elaborated on the need for skill development and features of the programme including the incorporation, governance and functioning of BFSI Sector Skill Council. He explained about capital structure of the Council and further placed its request for capital contribution of Rs.10 lakh by the Authority.
- ii. In response to a Member's enquiry regarding the benefits to Insurance Sector, Member (Distribution) explained in detail about the intention of Government of India behind setting up of NSDC and BSFI SSC and proposed contributions of BFSI SSC to the Financial Services Sector in general and insurance sector in particular. He further explained about the various deliberations held between IRDA, NSDC and BFSI SSC CEO.
- iii. Shri.V.K. Gupta has raised concerns about the methodology of skill training, content of training and suggested to ensure that the training methods be mapped to the current trends, market conditions and training imparted through quality trainers. He also stressed on putting in place appropriate mechanism to inculcate skills among agents.
- iv. Shri. S.B.Mathur observed that none of the Financial Sector Regulators, viz. RBI,SEBI, FMC and PFRDA was participating in the capital of BFSI SSC and opined that instead of the Authority directly participating in the capital structure, Councils and insurers should participate in the capital of the Council.
- v. Shri R.K Nair along with other Members concurred with the opinion expressed by Shri. S.B.Mathur.
- vi. Chairman remarked that Insurance Industry was a large employer of more than 20 lakh agents and despite qualifying themselves as agents after passing mandatory examinations, their income levels were low and the companies were not able to

enhance the skills of Insurance sales force. He briefed on the intention of Government behind setting up of National Skill Development Council and opined that to enhance the quality of insurance sales force, it was required to develop the skill of agents. As the Authority has been entrusted with the responsibility of promoting efficiency in conduct of insurance business, he sought views of members as to whether IRDA could contribute to the capital or advise Insurance Councils and/or insurers to contribute to the capital of BFSI SSC.

vii. After due deliberations, it was resolved to leave the matter of contribution to capital of BFSI SSC to Insurance Councils.

Item No. 9: Status Note on IIB

The Authority was informed that when the Budget for the Financial Year 2014-15 was discussed by the Authority in its 82nd meeting of the Authority held on 10th March, 2014 and it was resolved that the Budget for IIB will not be operated till next Authority meeting except for administrative expenses. Hence the matter relating to IIB is placed before the Authority.

In this context, the Authority was apprised about the factors that led to formation of IIB in 2009 as an advisory body and its subsequent transformation into Society in 2012. It was informed that analytics are an important component of Insurance sector in the developed jurisdictions and many such firms exist in the private sector space. However, in the Indian context, in view of the data sharing and security issues it was felt that such an organisation would be more suitable in the public domain. But the nature of work for such analytics is vastly different from the nature of work at IRDA and therefore a separate organisation was envisaged. Over a period of time, with the vast amount of data, the services that this organisation can provide, may make it self sufficient. However, till such time there would a need for budgetary support from IRDA. The request placed before the Authority for sanction of the budgetary support to the IIB may be seen in this context.

Further, it has been brought to its notice that IIB has placed a purchase order for 15 desktops and 2 laptops which were originally part of the Action Plan of 2013-14 and deferred to this financial year. It was also informed that there was communication gap which resulted in placement of this order and on noting the Authority's Resolution, IIB could hold back purchase of 2 laptops while the delivery of 15 desktops were already supplied by the vendor. The Authority was requested to exempt this as an exception and payment for desktops may be allowed to be released.

However, noting the content of the letter dated 26/05/2014 received from Mr. Anup Wadhawan, JS, DFS/MoF and Authority Member to defer the issues relating to IIB pending examination by the Government, an interim relief to the extent of Rs. 25 lakhs was approved for non-administrative expenses as well so that the activities of IIB are not hampered. It was also decided to place the matter in the next Authority Meeting.

Shri S.B. Mathur mentioned that among the functions listed is bench marking rates which may need a relook. In this context, Member (NL) clarified that it would be more in terms of burning cost so that the industry does not indulge into heavy discounts that would make the sector unsustainable. It was also felt that the data on distribution needs to be collected so that appropriate measures could be planned/ taken up. After discussion, it was felt that the works and functions of IIB could be revisited in the above context and such other areas as may be needed.

Item No. 11: Status Note on IIRM

In the light of the resolution in its 82nd meeting that the Budget allocation for the IIRM is subject to the resolution of the issues pending with the Government, a note on current status of IIRM was presented to the Authority for its information.

In view of the letter dated 26/05/2014 received from Shri Anup Wadhawan, Part-member to defer the issue of release of funds to IIRM, it was decided to place the matter in the next Authority meeting.

Table Items:

Table Item No. 1: Concept note on Revision of F&U guidelines

Member (Non-life) informed that a workgroup has been set up to study the changed market requirements, available existing experience and recommend suitable measures so that the existing system may be reviewed.

The Authority noted the developments.

(T. S. Vijayan)
Chairman