



MINUTES OF THE 88th MEETING OF THE AUTHORITY

held on 24th June, 2015 at 10.00 AM at ParishramBhavan, Basheebagh, Hyderabad.

Present:	Chairman	Shri T. S. Vijayan
	Whole-time Member	Shri D. D. Singh
	Whole-time Member	Ms Pournima Gupte
	Whole-time Member	Mrs V.R. Iyer
	Part-time Member	Shri S.B. Mathur
	Part-time Member	Prof.V.K. Gupta

Also present: Designated Officer

Chairman extended a warm welcome to the Members present. He specially welcomed Mrs. V.R. Iyer to the first meeting of the Authority after her assumption as Member (F&I) on 15th June, 2015. Leave of absence was granted to Shri AnupWadhawan and CA Manoj Fadnis, President, ICAI, who could not attend the meeting because of prior commitments. He also placed on record the valuable services rendered by Shri M. Ramaprasad, who retired as Member (NL) on 1st May, 2015.

Since the required quorum was present, the agenda was taken up for discussion.

Item No. 1: Confirmation of Minutes of the 87th meeting of the Authority held on 27th March, 2015

Designated Officer informed the members that as per the provisions contained in Chapter 7 - Transparency in Board Meetings of the Guidance Handbook on implementation of FSLRC guidelines, the records of every meeting were to be published within three weeks of the meeting and any decision not to disclose any information would be taken by vote of the Board. At present, the minutes of the

Authority meeting were being confirmed in the subsequent Authority meetings and therefore the aforesaid deadline of three weeks would be difficult to comply, he said and requested the members to consider the confirmation of the minutes as well as approval for publishing the minutes alongwith agenda notes at the time of circulating the minutes to the members of the Authority.

The members agreed to this and the minutes were confirmed.

Item No. 2: Action Taken Report on the minutes of 87th Meeting of the Authority

The members made a detailed review of the Action Taken Report. Regarding item no. 9 of the minutes relating to budget for the Financial Year 2015-16 in which an allocation of Rs. 150 crore was made for national campaign for promotion of two schemes, viz. Pradhan Mantri Suraksha BimaYojana and Pradhan MantriJeevanJyotiBimaYojana, Sr. JD (General) informed that LIC had raised a demand for reimbursement of Rs. 86 crore towards expenditure incurred for the aforesaid campaign. Since IBA was the nodal agency as per the Ministry's instructions, a clarification was sought from the Finance Ministry in this regard and the same is awaited, he informed.

It was further informed about the publication of gazette in respect of item no. 11. Chairman sought to know the reasons for delay in notifying the IRDAI (Obligations of Insurers in respect of Motor Third Party Insurance Business) Regulations, 2015 and IRDAI (Places of Business) Regulations, 2015 (Item No. 11 and 17 of the minutes) which were approved by the Authority in March, 2015. It was submitted that the practice in the Authority was to seek legal vetting after the Regulations were approved by the Authority and then notifying the regulations.

With the above observations, the Action Taken Report was noted.

Item No. 3: Minutes of 71st to 86th meeting of the Authority where action is under progress

Subsequent to the circulation of the agenda, the Department received updated position in respect of some of the items which was incorporated and a revised agenda item was placed for review. It was submitted that in respect of Sr. No. 8, the

post-launch awareness campaign had also been entrusted to NCAER at a cost of Rs. 1.85 crore and the questionnaires were under preparation. Regarding Sr. No. 12 it was clarified that the master circular was issued on 20.11.2014.

With the above deliberations, the Authority noted the Action Taken Report.

Item No. 4: Appointment of Adjudicating Officer under Section 105C of the Insurance Act, 1938 as amended by Insurance Laws (Amendment) Act, 2015

Joint Director (Legal) apprised the Authority about the process of adjudication for recommending and imposition of penalties under certain specified sections introduced in the recent amendments of the Insurance Act, 1938. Section 105 C of the Act dealt with the appointment of Adjudicating Officer by the Authority for holding an inquiry and recommending penalty and imposition of quantum of penalty vested with the Authority under Section 105D.

Considering the number of offences covered under Section 105-C and the time-frame needed for early disposal, the Authority approved the proposal to delegate to the Chairman, the following:

- (i) The power to appoint an Adjudicating Officer for holding inquiry under Section 105 (C) (1) and
- (ii) The power to decide on the quantum of penalty while imposing the penalty under Section 105 D

It was also decided that a status report of adjudications and the penalties imposed under the above sections be placed in every meeting of the Authority.

The Authority also advised the department to also look into the procedures and internal guidelines relating to the adjudication process adopted by established agencies such as Securities & Exchange Board of India, National Stock Exchange, etc., for adoption of good practices.

Item No. 5: IRDAI (Maintenance of Insurance Records) Regulations, 2015

It was brought to the notice of the authority that consequent to the amendment made to Sec. 14(1) of the Insurance Act, 1938, new regulations for the maintenance of insurance records had to be issued. In this regard, it was informed that draft

regulations on IRDAI (Maintenance of Insurance Records), 2015 were prepared and the same placed and got approved by the Insurance Advisory Committee in its last meeting held on 12th June, 2015. The same, with minor editorial changes were now placed for the Authority's consideration.

It was also informed that these draft regulations facilitated scope for e-commerce as well as off-site access by the authority to the various records maintained by the Insurers. Further, it was informed that revised guidelines on Insurance Repositories and electronic issue of insurance policies were issued last month. These guidelines would be followed by a set of new regulations for issue of electronic policies envisaged in the recent amendments to the Insurance Act. These are likely to be placed before the next authority meeting. The current draft regulations that are placed for approval along with the proposed new regulations referred above would provide a suitable platform for electronic processing and maintenance system in the Insurance sector.

The authority approved the draft regulations on IRDAI (Maintenance of Insurance Records) Regulations, 2015 and authorized Chairman, IRDA to take further steps for issue of Gazette notification.

Item No. 6: IRDAI (Insurance Services by Common Service Centres) Regulations, 2015

Chairman introduced to the members of the Authority the agenda on IRDAI (Insurance Services by Common Service Centres) Regulations, 2015. One of the members sought to know the changes in the regulations between those presented in the IAC meeting held on 12th June, 2015 and those being presented in the Authority's meeting today i.e. 24th June, 2015. It was informed that there was no change.

Following this the members of the Authority resolved to adopt the Regulations on Insurance Services by Common Service Centres.

Item No. 7: IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers excluding Lloyd's) Regulations, 2015

Sr. JD (Intermediaries) informed as under the changes in the regulations between those presented in the IAC meeting held on 12th June, 2015 and those being presented in the Authority's meeting today i.e. 24th June, 2015:

- 1) In the order of preference for cessions by Indian insurers, it was proposed that under Regulation 12(b) and (c) instead of offering the reinsurance arrangements to all entities in (a) above and to all entities in (a) and (b), it was suggested to delete reference to the word "all" because operationally it was a challenge to offer reinsurance arrangements to Indian reinsurer, to the branch office of foreign reinsurers and to direct insurers. Moreover, the reinsurance arrangements might contain commercial information which a direct insurer might not like to share with its competitors. One of the members suggested that the word "all" could be replaced by "at least 2" as that would address the operational issue as well as help to maintain retentions.
- 2) The requirement of having at least stable outlook from any of the renowned international credit rating agencies appeared incomplete as ratings allude to stable and hence has been changed to at least good financial security characteristics from any of the internationally renowned credit rating agencies.

In addition, the members were also informed of the following changes which emanated from the discussions in the IAC meeting:

- i) Net owned funds defined
- ii) The minimum eligibility norm of a reinsurer having a credit rating from any of the internationally renowned credit rating agencies for the last 5 years might be reduced to 3 years as the period of 3 years was a long enough to judge the financial strength of a company.
- iii) The applicant might be registered or certified in a national regulatory environment and with whom Government of India has signed a Double Taxation Avoidance Agreement as it would allow well regulated entities into the country.
- iv) With the above modifications, the members of the Authority resolved to adopt the Regulations on Registration and Operations of Branch Office of Foreign Reinsurers (excluding Lloyds).

Item No. 9: Reconstitution of Insurance Advisory Committee – Circular Resolution

The Designated Officer informed the members that the Department of Financial Services, MoF had written a letter observing that transport segment and employeesq associations as envisaged in sub-section 2 of Section 25 of the IRDA Act, 1999 were not represented in the newly constituted committee. He further informed the members that the newly constituted committee comprised 23 members as against the permitted number of 25, leaving scope for further appointments, if needed.

With the above observations, the Authority noted the agenda.

Item No. 11: Status of Public Disclosures by Non-Life Insurers for the year ended March, 2015

Noted

Item No. 13: IRDAI (Acquisition of Surrender and Paid Up Value) Regulations, 2015

Approved

Item No. 14: IRDAI (Minimum Limits for Annuities and other Benefits) Regulations, 2015

Approved

Further, the Chairman suggested to study independently the structure of **Discontinuance Fund** and **Charges relating to Discontinuance of a policy** for Unit Linked Insurance Products (ULIP).

Item No. 15: IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015

Sr. JD (Intermediaries) informed as under the changes in the regulations between those presented in the IAC meeting on 12th June, 2015 and those being presented in the Authority's meeting today i.e. 24th June, 2015:

- 1) A periodic review of the limits of surveys which in case of motor was proposed at Rs 50,000/- and for other than motor at Rs 1 lakh after every 3 years.
- 2) Definition of fellow member of IISLA was modified to include experience of 16 years and not 8 years.

With the above modifications, the members of the Authority resolved to adopt the Regulations on Insurance Surveyors and Loss Assessors.

Item No. 16: IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015

Joint Director (Life) presented the changes proposed/made in the draft regulations post IAC meeting held on 12th June 2015.

1) Regulation 2.5: categories of dailywagers, hired drivers and coolies+ were included.

2) Regulation 3.1(A): Tenth year and every year thereafter: 20%+ has been substituted in place of Tenth year to 15th year: 20%, 16th year and thereafter: 25%.

3) Regulation 3.1(B): Age of the Insurer in years+substituted in place of Age of the Life Insurer in years+.

4) Regulation 3.1(B) : In the Note below the table the following has been added In case of individual health insurance policies covering the lives of family members , the lives covered under such policy may be taken into account both in determination of target as well as actual performance+.

5) Regulation 3.1(B) Proviso: The following has been added for the Insurers commencing the operations in the first half of the financial year. Similarly, the obligations for Rural sector shall be half of the percentage prescribed for the first year+.

6) Regulation 4.1 has been modified as The term lives referred to in Regulation 3 in respect of all Insurers refers to human lives newly insured during the year and should have remained in force as at the end of each financial year+.

7) Regulation 4.3: Business pertaining to Government subsidized social security schemes will not be considered **both for Rural and Social sectors**. This provision shall be effective from financial year 2017-18.

Members suggested that this provision may be applied **only where the Government subsidizes the full premium under the scheme**, which has been agreed upon.

8) Regulation 7: It was proposed that the obligations stated in these regulations shall be applicable from financial year 2015-16. The matter was discussed and it was decided that the effective date shall be from financial year 2016-17 and also that for

financial year 2015-16, obligations as per existing regulations in force as on 1st April 2015 shall apply.

9) As per the Act provisions ~~in~~ a case of general insurer, the obligations specified shall include insurance for crops~~+~~. Therefore, it was proposed that the lives of individual beneficiaries of crop insurance may be considered for social sector obligations. It was approved subject to verification and confirmation from Non-Life department that crop insurance data contains names of the individual farmers.

10) It was also proposed that Authority may not prescribe any obligations to 1. Agricultural Insurance Company Ltd. 2. Export Credit Guarantee Corporation, for the reasons given below:

A) Agricultural Insurance Company Ltd underwrites only crop Insurance of which the whole of it can be considered eligible under rural sector as well as social sector and therefore Authority may not specify any percentage of business as obligations.

B) Export Credit Guarantee Corporation is a specialized insurer created for providing export credit insurance facilities to exporters and banks in India. We may consider not prescribing any rural and social sector obligations to ECGC owing to its nature of business.

The proposals were accepted with an advice to draft this provision carefully with due examination of Act provisions and legal vetting.

Item No. 17: IRDAI (Registration of Indian Insurance Companies) (Seventh Amendment) Regulations, 2015:

Deferred

Item No. 18: Status of Public Disclosures by life insurers for the year ended 31st March, 2015

Noted

Item No. 20: IRDAI (Registration of Corporate Agents) Regulations, 2015

Chairman introduced to the members of the Authority the agenda on IRDAI (Registration of Corporate Agents) Regulations, 2015. A presentation on the salient features of the draft regulations was made ready. It was informed that the changes in the regulations between those presented in the IAC meeting on 12th June, 2015 and

those being presented in the Authority's meeting today i.e. 24th June, 2015 were as follows:

- 1) Corporate Agent (General) may be allowed to solicit, procure and service commercial lines of insurance products subject to a maximum limit of Rs 5 crores sum insured per risk.

It was explained that based on the analysis of the data for fire class of business of one of the general insurance companies, it was observed that 58.14% of the policies and 1.44% of the premium with an average sum insured of Rs 27.2 lakhs fell in the sum insured band of Rs 0-1 crore. Likewise 29.75% of the policies and 3.34% of the premium with an average sum insured fell in the Rs 1-10 crores band. Therefore sale of simple, small size policies having a maximum sum insured of Rs 5 crores per risk could be considered as it would effectively leverage the distribution network of banks and other corporate agents to increase insurance penetration.

- 2) A telemarketer engaged by the corporate agent shall not be engaged by more than 3 insurers or other insurance related entities and with the prior approval of the Authority.

It has been represented by the stakeholders that the proposed regulation of restricting the telemarketer to only one insurer or insurance related entity is very restrictive and will have an adverse impact on the telemarketing channel of distribution.

One of the members pointed out that many a times the banks/ financial institutions who are corporate agents and give loans force the customer to buy insurance from a particular insurer. This forced selling is not desirable as it limits customer choice and the customer does not get the best deal. It was therefore suggested that a certificate from the CEO and the CFO of the corporate agent that there is no forced selling of an insurance product to the customer on the lines of commission/ remuneration received may be called at periodic intervals by the Authority.

With the above modifications, the members of the Authority resolved to adopt the Regulations on Registration of Corporate Agents.

Item No. 21: Status Report on balance work of construction of IRDAI Building at Nanakramguda, Gachibowli, Hyderabad

Noted

Item No. 22: Status report on recovery of Service tax

Noted

Table Item No. 1: Introduction of new IRDA (Conditions of Service) Regulations

Sr. JD (Gen) informed the members that a comprehensive review of existing IRDA (Conditions of Service of Officers and other Employees) Regulations which were made in the year 2000 and Executive Rules, 2009 framed thereunder was considered necessary in view of several representations, RTIs, grievances and references from National Commission for SCs, DFS/MoF and the legal cases concerning HR matters. He further stated that since the process prescribed in the FSLRC recommendations stipulated that any new regulation or amendment to the regulations was required to be first placed before the Authority for in principle approval, the members were requested to consider the agenda and grant in principle approval for taking up amendments to Regulations and Executive Rules, 2009.

After due deliberations, the proposal was approved.

Table Item No. 2: FSLRC recommendations regarding transparency in Board meetings

Shri S.B. Mathur, Part-time Member brought to the attention of the Department regarding the need to adopt the best practices in the area of conducting of Authority meetings as per the Standards notified by the Institute of Company Secretaries of India. The Department had noted the advice for implementation of standard features.

With the above observations, the Authority approved publishing of the minutes of the 87th meeting of the Authority along with agenda notes excepting the following items:

- (i) Item No. 5: Status of pending applications for change in shareholding pattern of Life Insurers
- (ii) Item No. 14: Quarterly Report to the Board of the Authority on Products cleared by the Authority

- (iii) Item No. 18: Kotak Mahindra General Insurance Co. Ltd. . Consideration of R1

Table Item No. 3: Omission of mandatory declaration in insurance advertisements “Insurance is the subject matter of the solicitation”

The proposal to drop the mandate of stipulated declaration “Insurance is the subject matter of the solicitation” in all insurance advertisements as per Regulation 9(i) of IRDA(Insurance advertisements and disclosures) Regulations, 2000 was approved with a direction to initiate the process for amending the Regulations for the aforesaid purpose.

(T. S. Vijayan)
Chairman