



## **MINUTES OF THE 89<sup>th</sup> MEETING OF THE AUTHORITY**

held on 12<sup>th</sup> October, 2015 at 11.00 AM at Hyderabad.

<b>Present:</b>	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
	Whole-time Member	Shri Nilesh Sathe
	Part-time Member	Shri SB Mathur
	Part-time Member	Shri Manoj Fadnis

Also present:

Designated Officer	Shri M. Pulla Rao, Sr. J.D. (General)
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Chairman extended a warm welcome to the Members present. He specially welcomed Shri Nilesh Sathe to the first meeting of the Authority after his assumption as Member (Life) on 1<sup>st</sup> July, 2015. Leave of absence was granted to Shri Alok Tandon, Joint Secretary, DFS, MoF and Shri VK Gupta, part-time members, who could not attend the meeting because of prior commitments.

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

### **Item No. 4: IRDAI (TPA- Health Services) Regulations, 2015**

The draft regulations were presented by JD (Health). The Authority deliberated on the Regulations and resolved to approve the Regulations with the following modifications:

1. "These books and accounting records **shall be maintained by it in accordance to the provisions of the Company's Act 2013 as amended from time to time**. All other records shall be maintained for a period of 10 financial years and the Authority may specify certain norms in this regard." In Regulation 23 (2).

2. Regulation 26 (3): Scrutiny of claims: to be replaced as under:

i) TPAs shall endeavor to collect all documents pertaining to the claims reported in electronic mode for seamless processing and for recommending to the insurer for payment or rejection as the case may be.

ii) A TPA shall, in the correspondence with the policy holder with respect to settlement of the claims, state clearly the following:

a. In case of settlement of claim:

"Your claim bearing No <Claim No> against policy issued by <name of the insurer> has been settled for Rs <Amt Paid> against the amount claimed for Rs <Claimed Amount> towards Medical Expenses incurred for treatment of <name of the Ailment> at <Name and City of the Hospital> for the period from <Date of Admission> to <Date of Discharge>.

The TPA shall also furnish the granular details of the payments made, amounts disallowed and the reasons therefor.

Further, the communication to the policyholder or the claimant shall contain (a) Grievance Redressal Procedure in place with the insurer, (b) contact details of concerned Grievance Redressal Office and Officer, (c) procedure to be followed for approaching Insurance Ombudsman and (d) contact details of office of the Insurance Ombudsman.

iii) The above statement shall form the mandatory part of the communication to be sent to the policyholder in every case of settlement of claims.

b. In case of rejection or repudiation of a claim;

**In terms of Reg. 2 (g) of these regulations, the correspondence with respect to rejection or repudiation of claim shall be sent by concerned insurer only.**

The TPA and the insurer shall be responsible for prompt and efficient service to the policyholder at all times.

**Item No. 5: IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015:**

Sr. JD (Intermediaries) apprised the members about the observations made by the Ministry of Finance based on the concerns of various stakeholders on the proposed Regulations, which were earlier approved by the Authority in its meeting held on 24<sup>th</sup> June, 2015.

After due deliberations, the Authority resolved to approve the Regulations with the modification that the number of entities to be offered participation in treaty and facultative surpluses in terms of Regulation 28 (9) (b) & (c) be increased from 2 to 3.

**Item No. 6: Status of Public Disclosures by Non -Life insurers for the Quarter ended 30<sup>th</sup> June, 2015**

Noted

**Item no. 9: Status of Public Disclosures by life insurers for the Quarter ended 30<sup>th</sup> June, 2015**

Noted

**Item No. 11: Status Report on balance work of construction of IRDA Building at Nanakramguda, Gachibowli, Hyderabad.**

Noted

**Item No. 12: Revision of Investment Policy for IRDAI Fund**

The Members advised to include reasons for keeping upto 20% of the fund as deposit with Bank of India and modify net NPA ratio as not more than 5%. With this modification, the Authority resolved to approve the investment policy.

**Item No. 13: Guidelines on "Indian owned and controlled"**

The Authority was informed about the need for issue of guidelines on 'Indian Owned and Control' in view of the amendments to the Insurance Act, 1938 whereby the

explanation to Sec 2(7A) has been introduced. The Authority advised that an additional provision may be introduced in the guidelines to ensure that “any other manner of exercise of control” is also covered.

With the aforesaid observations, the Authority resolved to approve the guidelines on ownership and control.

**Item No. 14: IRDAI (Registration of Indian Insurance Companies) (Seventh Amendment) Regulations, 2015**

Sr. JD (F&A) made a presentation on the proposed regulations and informed the Members that the Amendments to the Registration Regulations have been necessitated on account of the changes introduced by the Insurance Laws (Amendments) Act, 2015 and the draft Regulations had been placed before the Insurance Advisory Committee at its meeting held on 12<sup>th</sup> June, 2015. Further, it was submitted that the Regulations on Registration of Cooperative Societies as insurance companies would be placed separately.

One Member observed that (i) the time limit for communication of decision should be specified in Regulation 18 and (ii) that if feasible, the activities permitted / mandatory to be carried out by the insurer on cancellation/suspension of license, if any, might be included in Regulation 27.

While discussing the possibility of restricting the number of Insurance Companies, the Authority decided that in view of the fact that the FDI limit has been increased to 49% only recently, a view on the same could be taken at a later stage. Further, the Authority approved introduction of the provision in the regulations enabling the office of the Authority to carry out preliminary financial assessment of the promoters prior to grant of R1 application to an applicant.

With the aforesaid observations, the Authority resolved to approve the Regulations.

**Item No. 15: IRDAI (Issuance of capital by Indian Insurance Companies transacting other than life insurance Business) Regulations, 2015**

Approved

**Item No. 16: IRDAI (Issuance of capital by Indian Insurance Companies transacting Life Insurance business) Regulations, 2015**

Approved

**Item No. 17: IRDAI (Other forms of Capital) Regulations, 2015**

The Sr. JD (F&A) informed the members that the IAC's suggestion that the maturity period of the other forms of capital, i.e., preferential share capital and subordinated debt be reduced to 10 years in case of Life and General Insurance Companies and 7 years in case of standalone Health Insurance Companies had been incorporated in the draft regulations. Further, the provision regarding the coupon rate/dividend was modified.

The Authority resolved to approve the Regulations with the aforesaid amendments/modifications.

**Item No. 18: IRDAI (Expenses of Management of Insurers transacting Non-life and Health Insurance business) Regulations, 2015**

Sr. JD (F&A) made a presentation on the draft Regulations. The Authority noted that the draft regulations were taken to the Insurance Advisory Committee at its meeting held on 5th October, 2015. During the discussions, the Authority was informed that public comments on draft Regulations were received till 9<sup>th</sup> October, 2015 and the same were being examined. The General insurance industry had sought reduction in the number of segments to five, i.e., Fire, Marine, Motor, Health and Miscellaneous, with Health being further bifurcated into Group, Retail and Government business. The industry has further requested for a single overall limit of Expenses of Management. The other comments included relaxation from compliance for the initial 7-8 years as against the existing 5 years; Head Office expenses be revised to 10% from existing 5%; and removal of penal clauses and those relating to the monitoring of incurred claims ratio. The industry has also sought for applicability of the transitional provisions for 2014-15 as well.

The Chairman was authorised to take further necessary action in the matter.

**Item No. 19: Annual Statement of Accounts of the Authority for the year ended 31 March 2015**

Approved

**Item No. 20: Report of the Committee on Non-Legislative Recommendations (NLRs) of Financial Sector Legislative Reforms Commission (FSLRC)**

Noted

**Item No. 22: Budget support to IIB**

JD (SDD) presented the agenda. He further informed that the Authority had authorized IRDAI's support to IIB towards Revenue Expenditure and Capital Expenditure to the extent of maximum of Rs. 1 Crore on a case to case basis.

As the current IT Infrastructure and platform of IIB was not sufficient for meeting the growing demand for analytics and their delivery in this regard, IIB had suggested an Opex Model in the form of Managed Services Provider (MSP) project for its IT Infrastructure/Applications vide agenda item no. 9 of the 86<sup>th</sup> meeting of the Authority held on 23.12.2014. At that time, it was informed that this project would cost around Rs. 90 lakhs per annum. However, with a view to moving substantially towards an 'opex' model given the fast changing IT infrastructure scenario, an expanded scope of the said model was considered by IIB. With the change in technical requirements, the cost of the project has increased to around Rs. 10 crore, spread over next five years i.e., about Rs. 2 crore annually.

One of the Members observed that certain issues relating to IIB were under reference to the Government in DFS and therefore approval sought might not be appropriate till its clearance. In this regard, Chairman informed that clarification was sent to the Government on both IIB and IIRM issues. While the IIRM issue has been resolved recently, in respect of IIB too, the matter is expected to be suitably resolved, Chairman said.

The Authority noted that the budgetary requirement for MSP project was revenue expenditure in nature and the project tendered would continue for a definite time frame of five years. Considering the strategic importance of IIB for the insurance industry, the Authority resolved to accord in principle approval for the proposed MSP project of IIB costing Rs. 10.67 crore to be disbursed in instalments of Rs. 2.13 crore per year.

**Item No. 23: IRDAI (Insurance Advertisements and Disclosure) (Amendment) Regulations, 2015**

Approved

**Any other item:**

Vigilance Awareness Week:

Sr. Joint Director (General) informed the Members about the communication received from the Vigilance Section, Ministry of Finance vide their circular dated 9<sup>th</sup> October, 2015 advising for observation of the vigilance week from 26.01.2015 to 31.10.2015 and the message (pledge) enclosed therewith might be read to the Board of Directors by respective Chairman in the Board/Governing Body meeting held prior to the Vigilance Awareness week.

Accordingly, the Chairman read out the pledge to the Members of the Authority.

(T. S. Vijayan)  
Chairman