



REVISED MINUTES OF THE 91st MEETING OF THE AUTHORITY

held on 4th January, 2016 at 11.00 a.m. at 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
	Whole-time Member	Shri Nilesh Sathe
	Part-time Member	Shri Alok Tandon
	Part-time Member	Shri Manoj Fadnis
	Part-time Member	Shri V.K. Gupta

Also present:

Designated Officer	Shri M. Pulla Rao, Sr. J.D. (General)
--------------------	--

Chairman extended New Year greetings and warmly welcomed the Members present. Leave of absence was granted to Shri SB Mathur, Part-time member, 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. 5: IRDAI (Expenses of Management of Insurers transacting Non-life and Health Insurance business) Regulations, 2015

Sr. Joint Director (F&A) made a presentation on the proposed Regulations informing the Authority that the Agenda item on Expenses of Management for Insurers transacting General or Health Insurance Business placed before the Insurance Advisory Committee in its meeting held on 22.12.2015 after incorporating the comments received from Insurers and deliberations with the General Insurance Council. These together with the recommendations of IAC are presented in the agenda.

During the discussions, one of the members enquired whether provisions on miscellaneous - retail, miscellaneous - corporate/group and health - retail category remained as originally envisaged and also enquired about the relevance of 'direct' 'outside' as part of additional

allowance allowable towards share of HO expenses as a percentage of gross premium income written direct outside India through such outside branch. Another member suggested that more clarity be provided on the manner of summation of the Expenses of Management as indicated in draft regulation 3 (ii) and (iii). It was also suggested that the format of the Certificate of Compliance required to be signed by the Statutory Auditor be sent to the ICAI for vetting. Chairman advised that the format of the Certification could be issued separately as a guideline or a circular.

One of the members while commenting on the draft regulations suggested that the commission structure proposed for agents and intermediaries should take into account the recommendations of the Bose Committee; review the deletion of the provisions relating to prohibited expenses which formed part of the initial draft of the regulations; and examine as to whether the cap on managerial remuneration should form part of the regulations. He was of the view that the limits in case of Health Group Corporate were very high.

While responding to the aforesaid queries, the Chairman mentioned that the intent of the Regulations is to lay down the broad limits within which an Insurer must limit its Expenses of Management. As regards the recommendations of the Bose Committee report, those were more in the context of the savings related instruments rather than contracts relating to General Insurance and Health Insurance Companies. As regards the percentage indicated for Health Insurance Group Corporate, the Chairman mentioned that the same did not relate to commission, but has been indicated in the context of the overall Expenses of Management for the said segment. It was also mentioned that the draft regulations have been formulated taking into account industry-wide discussions.

With the above deliberations, the Authority approved the draft regulations for notification.

Item No. 6: IRDAI (Lloyd's India) Regulations, 2015

The Sr. Joint Director (Intermediaries) made presentation on the proposed Regulations.

One of the members drawing reference to Regulation 20 (b) observed that it might be considered to incorporate explicit provisions in the Regulations for 'full settlement' of all Reinsurance Claims for business underwritten by Principal Lloyds in the event of any failure for reason whatsoever by Members of Lloyds, Service companies of Lloyd's or Syndicates participating in Lloyd's and stringent penal sanctions in cases of default for any reason, e.g., failure to repay the insured amount should also be incorporated. He also sought to know the means of accessing the central fund in case of failure of the syndicate and whether there was defined maximum indemnity limit beyond which the contract would not pay for the loss.

It was clarified that under Regulation 11 F, a letter of comfort from Llyod's shall be obtained stating that it shall meet claims against the members of the Lloyds and that the insurer shall have equivalent recourse to Llyod's chain of security including the central funds at all times.

With the above observations, the Regulations were approved.

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

The Sr. Joint Director (Intermediaries) made a presentation on the amendment to the Regulations. The revised formulation for Regulation 28(9) in line with the advice of Government was placed before the members of the Authority.

One of the members suggested that the words "participation in its facultative and treaty surpluses" could be replaced with the words "participation in reinsurance business". It was clarified that the words "participation in its facultative and treaty surpluses covered all reinsurance arrangements and therefore the change is not required. He had also drawn reference to Regulation 28(9) of the Regulations, sought to know whether the period of 3 years stipulated for credit rating was for any three years or consecutive/successive three years. He also suggested that the minimum credit rating should be specified and not left ambiguous and similarly the credit rating agencies should be mentioned to avoid ambiguity. Further, the repetition of the name 'Lloyd's India' mentioned at two places could be removed.

With the above deliberations, the members approved the revised formulation to Regulations 28 (9) given as under:

"Every Indian Insurer shall obtain best terms for their facultative and treaty surpluses from Indian reinsurer(s) having a minimum credit rating which is having at least good financial security characteristics from any of the internationally renowned credit rating agencies for the last three years as well as from at least from three entities granted certificate of registration as per Regulation 4 (a). The Indian Insurer shall then offer the best terms for participation in the following order of preference:

- (a) To the Indian Reinsurer(s) having a minimum credit rating which is having at least good financial security characteristics from any of the internationally renowned credit rating agencies for the last three years and then to those granted certificate of registration as per Regulations (4) (a) of these Regulations.
- (b) To other Indian Reinsurer(s) or those granted certificate of registration as per Regulation 4 (b) of these Regulations.

(c) To the offices of foreign reinsurers set up in Special Economic Zone, only after having offered to all entities in (a) and (b) above.

(d) The balance, if any, may then be offered to Indian Insurers and overseas reinsurers.

Explanation: The Authority will undertake a review of the working of these Regulations and in particular operation of Regulation 28 (9) – order of preference for cessions by Indian Insurers after a period of one year based on reportings made to it and make necessary amendments to the Regulations based on the analysis performed

The consequent amendments to Regulation 4, 12, 13, 15 and 16 as proposed in the agenda were also approved.

Item No. 8: Regulations on Health Insurance and Outsourcing

The Joint Director (Health) made a presentation on the agenda stating that the proposed Regulations were placed before the Authority for in principle approval.

The members, after due deliberations, accorded approval for the same.

Item No. 10: Status of Public Disclosures for the Quarter Ended Sep-2015 (Non-Life)

Noted

Item No. 12: Status of Public Disclosures by Life Insurers for the Quarter ended 30th September, 2015.

Noted

Item No. 13: IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2015

Joint Director (Actuarial) made a presentation on the proposed Regulations.

The Authority, after due deliberations, approved the Regulations.

Item No. 14: IRDAI (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2015

Joint Director (Actuarial) made a presentation on the proposed Regulations. He informed the members that with the amended provisions of Insurance Act, 1938, empowering the Authority to issue Regulations on Assets, Liability and control level of solvency and their reporting in terms of section 13, 15, 64V and 64VA, a committee was constituted in July, 2015 to study the existing Regulations. Based on the recommendations of the committee, an exposure draft was issued on 16th October, 2015. The comments received from various stake holders were analysed and draft Regulations was placed before the IAC in its meeting

held on 22nd December, 2015. The Regulations with the recommendations of IAC with incorporation of a change suggested by them was submitted to the Authority for consideration.

Member (Actuary) informed that the Regulations were based on the current method of valuation of assets. The Finance & Investment Dept. is taking steps for implementation of IFRS in Insurance sector which may lead to change in the method of valuation of assets. This will lead to corresponding change in method of valuation of liabilities.

The Authority, after due deliberations, approved the Regulations.

Item No. 15: IRDAI (Inspection and Fee for supply of copies of Returns) Regulations, 2015:

JD (Legal) informed the members that IRDAI (Inspection and Fee for Supply of Copies of Returns) Regulations, 2015 were framed against the background of amendment to Sections 20 (1) and 20 (3) of the Insurance Act, 1938 wherein power to fix the fee for the following has been vested with the Authority:

- i) Supply of copy of Return by the Authority under section 20 (1) of the Act;
- ii) Supply of copy of memorandum and articles of association by the insurer to the policyholder under section 20 (3) of the Act.

It was informed that initially a fee of Rs. 100/- per page irrespective of physical or electronic copy of return was suggested; but pursuant to discussions in the IAC meeting, a reduction of Rs 25/- for supply of copy in electronic form has been factored.

On a specific query by a Member whether the fee structure prescribed in the draft regulation matched with that prescribed under the Right to Information Act, 2005 under which a citizen could obtain information @ Rs 2/- per page, it was informed that while RTI schedule of fee was examined for the purpose of these regulations, due consideration has been given to the following factors also while suggesting the fees -

- the information in the form sought by the applicant was not readily available, Section 7(9) of the RTI Act provided for exemptions;
- the need to compile the information regarding returns running into large number of pages and the manpower involved;
- number of returns (approximately 350) being received by the Authority from the regulated entities, viz. approximately 50 companies, 400 brokers and other regulated entities;

Taking the above factors into consideration, a fee of Rs. 100/- per page for supply of physical copy and Rs 75/- for electronic version was suggested. For this purpose, the Companies (Registration of Offices and Fees) Rules, 2014 were taken as a reference point even if not adopted in entirety. The said Rules, *inter alia*, provided for Rs. 100/- as the fee for supply of certified copies of documents kept by the Registrar under Section 399 of Companies Act 2013.

Regarding classification of documents for bringing under the ambit of Returns and the recent Supreme Court judgement in respect of RBI, it was informed that the proposed regulations are also in consonance with the exemptions within the RTI Act.

Accordingly, the Members resolved to approve the Regulations.

Table 1: Deferment of date of enforcement of Regulation 28 (9) of IRDAI (Registration and operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 and Regulation 50 (8) of draft IRDAI (Lloyd's India) Regulations, 2015

Sr. Joint Director (Non-life) presented the agenda informing the members that the Authority had notified the IRDAI (Registration and operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 vide notification dated 19.10.2015. The notification stipulated that the Regulations would come into force on the date of its notification in the Official Gazette. Further, the IRDAI (Lloyd's India) Regulations, 2015 were also placed in the present meeting of the Authority for approval. As on date five reinsurance companies have submitted their applications for setting up their branch offices in India which were under process. The insurers generally initiated the process of finalising the reinsurance arrangements by January-February every year and most reinsurance treaties commenced from 1st April of the Financial Year. Since no foreign reinsurer was granted registration so far, the order of preference stipulated in Regulations 28 (9) of IRDAI (Registration and Operation of branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 and Regulation 50(8) of IRDAI (Lloyd's India) Regulations, 2015 could not be followed for the treaty placements for the financial year 2016-17. In view of the above, it was proposed that the present arrangement contained in Regulation 13 of IRDA (General – Reinsurance) Regulations, 2013 should continue and the new arrangement would be made effective from the date of circular to be issued in this regard. Difficulties, if any, would be suitably addressed at the relevant time, using the powers under Regulation 17(e) of the IRDAI (Registration and Operation of branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 which vested the Chairman with the powers to remove difficulties.

With the aforesaid deliberations, the agenda was approved.

Table Item no. 3: Status Note on Insurance Information Bureau (IIB):

Noted

Any other item:

Executive Director briefed the Members about the launch of e-Vahan Bima, i.e. electronic Motor Insurance in the State of Telangana. This facilitation in the State of Telangana was due to the positive support from the State Government to the initiative of the Authority. He informed that the platform for e-Vahan Bima has been established after the data sharing was facilitated by the Government of Telangana with the IIB. This coupled with facilitation measures such as QR code and SMS service would enable the identification of the Insured status of vehicle both from the Company records as well as from the central database record of IIB as also the RTA database. Such a measure would promote Electronic Motor Insurance which can be leveraged to ensure that the sale of Third Party Insurance can be facilitated in accessible points such as ATMs, Pollution check centres, Common service centres etc. Now that the Government of India, MORTH has also agreed to share the nationwide data with IRDAI/IIB, e-Vahan Bima could also be extended to the rest of the country.

2. Executive Director also informed that it is proposed to extend the QR code concept to the other line of insurance business. It is learnt that some of the Insurers, on their own, have taken steps in this direction.

3. Executive Director also informed that with the amendments in the Insurance Act, 1938, IRDAI is expected to come out with regulations that would fix threshold value for issue of Electronic Policies. In this regard, it was informed that preliminary discussion has taken place within the Authority with work in this direction and will be taken forward through the prescribed process.

CHAIRMAN