

Item No. 26

Delegation of Powers on Finance and Accounts related matters

Section 23 of Insurance Regulatory and Development Authority Act, 1999 provides as under

“(1) The Authority may, by general or special order in writing, delegate to the Chairperson or any other member or officer of the Authority subject to such conditions, if any, as may be specified in the order such of its powers and functions under this Act as it may deem necessary.

(2) The Authority may, by a general or special order in writing, also form committees of the members and delegate to them the powers and functions of the Authority as may be specified by the regulations.”

On the above it may be noted that the Authority has already notified the following regulations

- i. IRDAI (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations, 2016
- ii. IRDA (Expenses of Management of Insurers transacting life insurance business) Regulations, 2016
- iii. IRDA (Scheme of Amalgamation and Transfer of General Insurance Business) Regulations, 2011;
- iv. IRDA (Scheme of Amalgamation and Transfer of Life Insurance Business) Regulations, 2013;
- v. IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015;
- vi. IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance Business) Regulations, 2015;
- vii. IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015
- viii. IRDAI (Other Forms of Capital) Regulations, 2015

The compliance of the above said regulations primarily rests with Finance & Accounts Department of the Authority. In order to remove the administrative difficulties and to expedite the approvals, we propose that in pursuant to Section 23

(1) of the IRDA Act, 1999, the Authority may delegate the following powers in connection with the above referred Regulations to the Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
IRDAI (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations, 2016			
1.	11	<p>Powers to Exempt</p> <p>(i) The Authority based upon a representation received from a newly registered insurer, in accordance with the provisions of the Act, may exercise forbearance for a period not exceeding five years.</p> <p>(ii) If an insurer fails to comply with these regulations even after the period of five years, the Authority, having regard to the business model of the insurer, may direct an existing Insurer to charge the expenses above the allowable limit to the Shareholders' Account.</p> <p>Provided that no such direction shall be issued by the Authority unless a representation detailing the business plan and time period required for compliance with the Regulations has been furnished to the Authority in accordance with the applicable provisions of the Act.</p>	Chairperson of the Authority
2.	14 & 15	<p><u>Action for Non-compliance</u></p> <p>Any violation of the limits on overall basis or the directions issued by the Authority in this regard may entail one or more following actions</p> <p>(i) Excess to be charged to Shareholders' Account as specified in Regulation 11 (ii)</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>above;</p> <p>(ii) Restriction on performance incentive to Managing Director (MD) / Chief Executive Director (CEO) / Whole-Time Directors (WTD) and Key Management Persons (KMPs);</p> <p>(iii) Restriction on opening of new places of business;</p> <p>(iv) Graded Penal action under section 102 of the Act;</p> <p>(v) Removal of Managerial Personnel and / or appointment of Administrator;</p> <p>(vi) Any other action as specified in the Act.</p> <p>The Authority may, apart from taking action as enumerated in Regulation 14, also direct the insurer to not underwrite new business in one or more segments in case of persistent violation of these Regulations.</p> <p>Notwithstanding such directions, the insurer shall continue to service the existing policyholders in such segments.</p>	
3.	17	<p>Where at segmental level, the deviation between the actual incurred claim ratio and the projected incurred claim ratio is more than ten percent over a period of three years or more, an exception report along with the plan of action specifying the reasons for such deviation shall be filed by the insurers with the Authority in the format to be specified by the Authority.</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
IRDAI (Expenses of Management of Insurers transacting life insurance business) Regulations, 2016			
4	14	<p>Powers to Exempt</p> <p>(i) The Authority based upon the representation received from a newly registered insurer, in accordance with the provisions of the Act, may exercise forbearance for a period not exceeding ten years.</p> <p>(ii) If an insurer fails to comply with these Regulations even after a period of ten years, the Authority, having regard to the business model of the insurer, may direct the existing Insurer to charge the expenses above the allowable limit to the Shareholders' Account.</p> <p>Provided that no such direction shall be issued by the Authority unless a representation detailing the business plan and time period required for compliance with the Regulations has been furnished to the Authority in accordance with the applicable provisions of the Act.</p>	Chairperson of the Authority
5	17 & 18	<p><u>Action for Non-compliance</u></p> <p>Any violation of the limits on overall basis or the directions issued by the Authority in this regard may entail one or more of the following actions:</p> <p>(i) Excess to be charged to Shareholders' Account;</p> <p>(ii) Restriction on performance incentive to</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>Managing Director (MD) / Chief Executive Director (CEO) / Whole-Time Directors (WTD) and Key Management Persons (KMPs);</p> <p>(iii) Restriction on opening of new places of business;</p> <p>(iv) Graded Penal action under section 102 of the Act;</p> <p>(v) Removal of Managerial Personnel and / or appointment of Administrator;</p> <p>(vi) Any other action as specified in the Act.</p> <p>The Authority may, apart from taking action as enumerated in Regulation 17, also direct the insurer not to underwrite new business in one or more segments in case of repeated violation of these Regulations.</p> <p>Notwithstanding such directions, the insurer shall continue to service the existing policyholders in such segments.</p>	
IRDA (Scheme of Amalgamation and Transfer of General Insurance Business) Regulations, 2011			
6	6.	<p>In-principle approval by the Authority:</p> <p>1. The Authority, on being satisfied that he proposed Scheme is (i) in the interest of the orderly growth of the insurance sector, and (ii) on confirmation of compliance with any requirements as the Authority may deem fit in the context of its regulatory mandate, may grant in-principle approval to the proposed Scheme subject to such conditions as it may consider appropriate.</p> <p>2. While granting such in-principle approval</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>and during the period prior to the transacting parties receiving the Court approval for the scheme of arrangement under the Companies Act, 1956, the Authority may, if so required, impose such requirements on the transacting parties as it may consider necessary and appropriate (a) to ensure protection of the interests of the policyholders; and (b) to ring fence the assets of the transacting entities including stipulations for filing of information / reports at such periodicities as it may deemed fit.</p> <p>3. During the interim period, the parties to the Scheme shall ensure that the insurance operations are carried out in compliance with all requirements of Insurance Act, 1938, the regulations framed thereunder and the directions issued by the Authority.</p>	
7	8	<p>Final approval from the Authority</p> <p>On completion of the various processes indicated in the foregoing Regulations and upon receipt of approvals from various applicable regulatory authorities and the relevant Court / Tribunal, as applicable, the transacting parties shall approach the Authority for the final approval of the Scheme. The Authority would ensure that the Scheme as finally approved is consistent with such requirements or stipulations as might have been imposed by the other competent authorities while according their regulatory</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		approval as in para 7 (4)	
IRDAI (Scheme of Amalgamation and Transfer of Life Insurance Business) Regulations, 2013			
8	6	Actuarial Valuation The Authority may, at any time prior to granting final approval to the proposed Scheme, cause an independent actuarial valuation of the insurance business (encompassing the assets, liabilities and solvency position) of the transacting parties	Chairperson of the Authority
9	7.	In-principle approval by the Authority The Authority, after hearing the directors and such policyholders, as may apply to be heard, and any other persons whom it considers entitled to be heard, and on being satisfied that the proposed Scheme is (i) in the interests of the orderly growth of the insurance sector, (ii) on confirmation of compliance with any requirements as the Authority may deem fit in the context of its regulatory mandate; and (iii) not subject to any reasonable objection from policyholders and in the context of public interest, may grant in-principle approval to the proposed Scheme subject to such conditions as it may consider appropriate: Provided that (a) no part of the deposit made under section 7 of the Act, by any party to the amalgamation or transfer shall be returned except where, after effect is given to the arrangement, the whole of the deposit to be	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>made by the insurer carrying on the amalgamated business or the person to whom the business is transferred is completed,</p> <p>(b) only so much of the deposit shall be returned as is no longer required to complete the deposit last mentioned in clause (a), and</p> <p>(c) while the deposit last mentioned in clause (a) remains uncompleted, no accession, resulting from the arrangement, to the amount already deposited by the insurer carrying on the amalgamated business or the person to whom the business is transferred shall be appropriated as payment or part payment of any installment of deposit subsequently due from the insurer under section 7.</p> <p>Provided further that:</p> <p>If the arrangement involves a reduction of the amount of the insurance and other contracts of the transferor insurer(s) concerned in the amalgamation, the Authority may approve the arrangement reducing the amount of such contracts upon such terms and subject to such conditions as the Authority may think proper, and the reduction of contracts as approved by the Authority shall be valid and binding on all the parties concerned.</p> <p>2. In granting such in-principle approval and during the period prior to the transacting parties receiving the Court approval, the</p>	

S. No.	Regulation No.	Particular	Power delegated to
		<p>Authority may if so required, impose such requirements on the transacting parties as it may consider necessary and appropriate: (a) to ensure protection of the interests of the policyholders; and (b) to ring fence the assets of the transacting entities including stipulations for filing of information / reports at such periodicities as it may deem fit.</p> <p>3. During the interim period, the parties to the Scheme shall ensure that the insurance operations are carried out in compliance with all requirements of the Insurance Act, 1938, the regulations framed thereunder and the directions issued by the Authority.</p>	
10	9	<p>Final approval from the Authority</p> <p>On completion of the various processes indicated in these regulations and upon receipt of approvals from various applicable regulatory authorities, as applicable, the transacting parties shall approach the Authority for the final approval of the Scheme.</p> <p>The transacting parties shall ensure that the Scheme to be finally implemented is consistent not only with conditions, if any, imposed by the Authority, but also with such requirements or stipulations as may be imposed by the other competent authorities while according their regulatory approval.</p>	Chairperson of the Authority
IRDA (Transfer of Equity Shares of Insurance Companies) Regulations, 2015			
11	3	<p><u>Registration of Transfer:</u></p> <p>No registration of transfer of shares or issue of equity capital of an insurance company which</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>would result in change in the shareholding shall be made, where,</p> <ol style="list-style-type: none"> after the transfer, the total paid up holding of the transferee in the shares of the insurance company is likely to exceed five percent of its paid up capital, or the nominal value of the shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally exceeds one percent of the paid up equity capital of the insurance company, unless the previous approval of the Authority has been obtained for the said transfer. 	
12	7	<p><u>Indian Promoters:</u></p> <p>The Indian promoters shall hold shares in an insurance company as approved by the Authority.</p> <p>Provided that the Authority shall, while according its approval, prescribe such conditions on promoters as it may consider appropriate, including but not limited to:</p> <ol style="list-style-type: none"> Minimum lock in period; Infusion of additional capital in proportion of its shareholding or otherwise, at periodic intervals to ensure that the insurance company is compliant with the regulatory solvency requirements at all times; and Compliance with all regulatory stipulations imposed on the promoters while granting R3 under the IRDA (Registration of Indian 	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		Insurance Companies) Regulations, 2000 to the said insurance company.	
13	8	<p><u>Foreign Investors:</u></p> <p>The Foreign investors shall hold shares in an insurance company in accordance with the provisions of Indian Insurance Companies (Foreign Investment) Rules, 2015.</p> <p>Provided that the Authority, while according its approval, may prescribe such conditions as it may consider appropriate, including but not limited to:</p> <ol style="list-style-type: none"> Minimum lock in period; Infusion of additional capital in proportion of its shareholding at periodic intervals to ensure that the insurance company is compliant with the regulatory solvency requirements at all times; and Compliance with all regulatory stipulations imposed on the promoters while granting R3 under the IRDA (Registration of Indian Insurance Companies) Regulations, 2000 to the said insurance company. 	Chairperson of the Authority
14	9	<p><u>Ceiling on holdings of Indian Investors:</u></p> <p>The Investors excluding the foreign investors shall hold shares in an insurance company subject to the following conditions</p> <ol style="list-style-type: none"> Where there are one or more investors in an insurance company, no investor shall hold shares in an insurance company exceeding ten per cent of the paid up equity share capital of such insurance 	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		company. b. All investors as indicated at (a) above, jointly shall not hold more than twenty five percent of paid up equity share capital of the insurance company.	
IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance Business) Regulations, 2015			
15	3	Prior Written Approval by the Authority No Indian insurance company transacting Life insurance business shall approach SEBI for public issue of shares and for any subsequent issue, by whatsoever name called, under the ICDR Regulations without the specific previous approval of the Authority in writing under these Regulations.	Chairperson of the Authority
16	6	Approval of the Authority 1) While according its approval, the Authority may prescribe the following: i. The extent to which the promoters and the investors shall dilute their respective shareholding; ii. The maximum subscription which may be allotted to any class of foreign investors; iii. Minimum lock-in period for the promoters and the investors from the date of allotment of shares. The lock in period shall be without prejudice to the requirements which may be in place under the ICDR Regulations; iv. Disclosures in the Prospectus / Offer document as indicated at Schedule 1 of	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		<p>these Regulations, in addition to such disclosures as may be prescribed by SEBI.</p> <p>v. Modification in the Articles of the Association of the Applicant company so as to explicitly provide that no transfer beyond the limit specified in Section 6A of the Act shall be registered without the prior approval of the Authority; and</p> <p>vi. such other conditions as may be deemed fit by the Authority.</p> <p>2) Any approval by the Authority under this Regulation shall not in any manner be deemed to be or serve as a validation of the representations by the applicant company in any offer document. This fact shall be disclosed in bold letters in the offer document</p>	
17	7	<p>The Authority shall not accord its approval if it is of the opinion that :</p> <p>(a) The applicant company is not compliant with the regulatory framework; or</p> <p>(b) Consequent upon the dilution of shareholding by the promoter(s) and/or Investor(s) or issue of fresh capital, the applicant company shall not be Indian owned and controlled; or</p> <p>(c) The grant of approval may be detrimental to the interests of policyholders; or</p> <p>(d) the grant of approval may not be in the interests of the insurance business in the</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		country.	
18	9	Validity of Approval The approval granted by the Authority shall be valid for a period of one year from the date of issue of the approval letter, within which the applicant company shall file the Draft Red Herring Prospectus (DRHP) with SEBI under the ICDR Regulations subject to compliance of these Regulations. Provided that the Authority may, on receipt of a written request from applicant company, extend the validity by a further period of six months.	Chairperson of the Authority
19	10	Power to issue Direction The Authority may direct an Indian Insurance Company transacting life insurance business to get listed on the stock exchange(s) if the circumstances so warrant. Such company shall, notwithstanding the lock-in period, within a period of one year from the date of such directions, comply with the directions issued by the Authority.	Chairperson of the Authority
IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015			
20	3	Prior Written Approval by the Authority No Indian insurance company transacting the General insurance or Health insurance or Reinsurance business shall approach the SEBI for public issue of shares and for any subsequent issue, by whatsoever name called, under the ICDR Regulations without the specific previous approval of the Authority in	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		writing under these Regulations.	
21	6	<p>Approval of the Authority</p> <p>(1) While according its approval, the Authority may prescribe the following:</p> <ol style="list-style-type: none"> i. The extent to which the promoters and the investors shall dilute their respective shareholding; ii. The maximum subscription which may be allotted to any class of foreign investors; iii. Minimum lock-in period for the promoters and the investors from the date of allotment of shares. The lock in period shall be without prejudice to the requirements which may be in place under the ICDR Regulations; iv. Disclosures in the Prospectus / Offer document as indicated at Schedule 1 of these Regulations, in addition to such disclosures as may be prescribed by SEBI; v. Modification in the Articles of the Association of the Applicant company so as to explicitly provide that no transfer beyond the limit specified in Section 6A of the Act shall be registered without the prior approval of the Authority; and vi. such other conditions as may be deemed fit by the Authority. <p>(2) Any approval by the Authority under these Regulations shall not in any manner be deemed to be or serve as a validation of the representations by the applicant company</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		in any offer document. This fact shall be disclosed in bold letters in the offer document.	
22	7	<p>The Authority shall not accord its approval if it is of the opinion that:</p> <ul style="list-style-type: none"> (a) The applicant company is not compliant with the regulatory framework; or (b) Consequent upon the dilution of shareholding by the promoter(s) and/or Investor(s) or issue of fresh capital, the applicant company shall not be Indian owned and controlled; or (c) The grant of approval may be detrimental to the interests of policyholders; or (d) The grant of approval may not be in the interest of the insurance business in the country. 	Chairperson of the Authority
23	9	<p>Validity of Approval</p> <p>The approval granted by the Authority shall be valid for a period of one year from the date of issue of the approval letter, within which the applicant company shall file the Draft Red Herring Prospectus (DRHP) with SEBI under the ICDR Regulations subject to compliance of these Regulations.</p> <p>Provided that the Authority may, on receipt of a written request from applicant company, extend the validity by a further period of six months.</p>	Chairperson of the Authority
24	10	<p>Power to issue Direction</p> <p>The Authority may direct an Indian Insurance Company transacting general insurance or</p>	Chairperson of the Authority

S. No.	Regulation No.	Particular	Power delegated to
		health insurance or reinsurance business to get listed on the stock exchange(s) if the circumstances so warrant. Such company shall, notwithstanding the lock-in period, within a period of one year from the date of such directions, comply with the directions issued by the Authority.	
IRDAI (Other Forms of Capital) Regulations, 2015			
25	6	Approval of the Authority The Authority may approve issuance of “Other forms of Capital” on being satisfied of the fulfilment of the following conditions: <ul style="list-style-type: none"> i. All instruments shall be fully paid up and unsecured; ii. Investment in such instruments by foreign investors including Foreign Institutional Investors (FIIs) or foreign portfolio investors (FPIs) shall be subject to the FEMA Regulations; iii. The Insurer shall comply with the terms and conditions, if any, stipulated by SEBI / other regulatory authorities in regard to issue of the said instruments; iv. Such other conditions as may be deemed appropriate by the Authority. 	Chairperson of the Authority

It may be noted that a status note on all the above issues where powers have been exercised by the Chairperson shall be placed before the Authority for information on periodic basis.

Placed for consideration of the Authority to delegate its powers under Section 23 (1) of the IRDA Act, 1999 please