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Guidelines on Stewardship Code for Insurers in India

To,

CEOs/ CMDs of All Insurers

The Authority had revised the Corporate Governance guidelines for insurance companies in 2016, which combined the stipulations regarding the form and composition of the Board, the Appointment and qualifications of Directors and Key Management Persons (KMPs), appointment of Auditors, etc. While the Corporate Governance Guidelines issued by the Authority primarily dwell upon the governance at insurance companies, the state of governance at the companies where the insurance companies have invested, is also important.

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders. Therefore, it is felt that insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This will result in informed decisions by the parties and ultimately improve the return on investments of insurers.

Therefore, the Authority has decided to implement a code for stewardship for the insurers. The code is in the form of a set of principles, which the insurers would need to adopt. The principles are being uniformly adopted for institutional investors, like Mutual Funds, Pension Funds, Foreign Portfolio Investors (FPIs), Alternative Investment Funds (AIFs), etc. The code broadly requires the insurers to have a policy as regards their conduct at general meetings of the investee companies and the disclosures relating thereto. It shall be applicable from FY 2017-18.

All insurers need to draw up a policy based on the principles spelt out in the stewardship code within 6 months from the date of issue of these guidelines and the Board of Directors should approve the same. The policy should be disclosed on the website within 30 days of approval by



the Board by all insurers, alongside the public disclosures. Any change/ modification to the policy on stewardship should be specifically disclosed at the time of updating the policy document on the website.

All insurers should file a status report to the Authority on an exception basis (comply or explain), as per the format placed at **Annexure A** on an annual basis indicating the reasons/ justification for the deviation or non-compliance with the principles indicated in these guidelines.



(V R Iyer)

Member F&I

