



MINUTES OF THE 97th MEETING OF THE AUTHORITY

held on 31st May, 2017, at 10.30 AM at Hyderabad

Present:	Chairman	Shri T.S. Vijayan
	Whole-time Member	Ms Pournima Gupte
	Whole-time Member	Mrs V.R. Iyer
	Whole-time Member	Shri Nilesh Sathe
	Whole-time Member	Shri PJ Joseph
	Part-time Member	Mrs Sushama Nath
	Part-time Member	Shri N. Srinivasa Rao
	Part-time Member	Shri Nilesh S Vikamsey
	Part-time Member	Shri S.B. Mathur

Also present:

Designated Officer	Shri M. Pulla Rao ED (Gen)
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Chairman welcomed the Members present. He extended a special welcome to CA Nilesh S Vikamsey, President, Institute of Chartered Accountants of India since he was attending the meeting of the Authority for the first time. He complimented Mrs. V R Iyer, Whole-time Member of the Authority, who would be retiring on 31st May, 2017, for her valuable contributions to the Authority. Since the quorum was present, the agenda was taken up.

4. Treatment of Debenture Redemption Reserve (DRR) for the purpose of calculation of solvency margin

The agenda item was presented by Chief General Manager (F&A).

The Authority was informed that the IRDAI (Other Forms of Capital) Regulations, 2015 had been notified and already nine General insurance companies had raised funds through public/private placement. As per the Regulations, funds raised through these instruments shall be subjected to a progressive hair cut for the purpose of computation of “Available solvency Margin” on straight-line basis in the final five years prior to maturity. Insurers had sought clarifications on whether they were required to create Debenture Redemption Reserve (DRR) as envisaged under Section 71 of the Companies Act, 2013.

It was proposed that in compliance with the requirements under Rule 18(7) of the Companies (Share Capital and Debenture) Rules, 2014, the insurers shall be advised to create the DRR. However, for the purpose of computation of solvency, the same might not be considered as a liability. It was indicated that the DRR was only a reserve and was not a liability, thus, it should not be considered as a liability while computing the solvency margin. The Authority also noted that under the Companies Act, 2013, banks and all India financial institutions, regulated by the Reserve Bank of India (RBI), including Life Insurance Corporation of India had been exempted from the requirement of creating DRR.

After due deliberations, the agenda was approved by the Authority.

5. Status Report on balance work of construction of IRDAI Building at Nanakramguda, Gachibowli, Hyderabad

Executive Director (Gen) presented the status report of construction of IRDAI Building at Nanakramguda, Gachibowli, Hyderabad for information of the Authority and stated that the new building would be ready for possession by end of September, 2017. Some photographs of the building showing the progress of the construction work were presented.

The same was noted by the Authority.

6. Quarterly statement of foreign tours undertaken by Chairman and Members for the period from 01/01/2017 to 31/03/2017

Executive Director (Gen) presented the Agenda for information, which was noted by the Authority.

8. IRDAI (Protection of Policyholders' Interests) Regulations, 2017

General Manager (Consumer Affairs Department) presented the agenda. For more clarity, due to typographical error in the draft already circulated and a suggestion received, he requested modifications to draft Regulation 6 (1) (iv) as under:

“the premium pertaining to health related or critical illness riders shall not exceed 100% of premium under the basic product, the premiums under all other life insurance riders put together shall not exceed 30% of premiums under the basic product and any benefit arising under each of the above mentioned riders shall not exceed the sum assured under the basic product”.

Shri S.B. Mathur suggested that Life Insurers should inform the policyholders at least once in a year, about bonus vested in in-force participating policies and value of ULIP Policies and a provision to this effect to be included in IRDAI (Protection of Policyholders' Interests) Regulations, 2017. Accordingly, an addition was proposed under Regulation 17 as under:

“Every life insurer shall inform policyholders whose participating policies are in force, at least once in a year, the bonus accrued to their policies or the value of their ULIP policies as the case may be, through a letter/e-mail/any other electronic mode”.

The Authority after due deliberations passed the following resolution:

“RESOLVED THAT IRDAI (Protection of Policyholders' Interests) Regulations, 2017 be and hereby approved with the above modification”.

9. Status Note on the fulfillment of legal Obligations:

Executive Director (Gen) presented the Agenda for information of the Authority and the same was noted.

14. Manpower requirement for the year 2017

Executive Director (Gen) presented the Agenda and briefed the Members about the need to increase staff strength in various grades from the present 186 to 246, including one post to be reserved as supernumerary, to attend to increased work load of regulatory and supervisory functions consequent upon amendment to the Insurance Act. The additional strength of 59 was proposed to be filled up through direct recruitment. He also requested approval for release of 17 vacancies for promotions to various grades as given in the note.

As advised by CA Nilesh S Vikamsey, the department noted to submit the organogram of IRDAI in the next meeting.

After due deliberations, the Authority approved the Agenda as proposed.

S/Shri S.B. Mathur and N. Srinivasa Rao advised to submit periodic Status Note on inspections undertaken for information of the Authority.

24. Implementation of Ind AS in Insurance Sector

The agenda item was presented by Chief General Manager (F&A).

The Authority was informed about the steps taken by the F&A Department towards implementation of Ind AS for the insurance sector from accounting period beginning with 1st April, 2018 with one year comparatives. The Authority also noted the peculiarities of the insurance sector in India, particularly in view of the fact that India does not have a standard equivalent to IAS 39 on Financial Instruments: Recognition and Measurement.

Further, the International Accounting Standards Board (IASB) issued the much awaited IFRS 17 on Insurance Contracts on 18th May, 2017, which replaces IFRS 4, that was brought in as an interim standard in 2004. This development had

resulted in IRDAI reviewing its position on the implementation of Ind AS effective 1st April, 2018.

After detailed discussions, the Authority approved the regulatory override proposed whereby the implementation of Ind AS in the Insurance Sector in India shall be deferred for a period of two years and the same shall now be implemented effective 2020-21. The Authority also approved that IRDAI might commence work on early adoption of new standard on insurance contracts. In the interim, the work already initiated on the parallel proforma reporting shall continue.

28. Appointments through Direct Recruitment in the Financial Year 2016-17

Executive Director (Gen) presented the Agenda for information and furnished the details of direct recruitment carried out in the cadre of Assistant Manager during the financial year 2016-17 as required under Regulation 5 (1) of IRDAI Staff (Officers and other employees) Regulations, 2016.

The same was noted.

CHAIRMAN