

**Minutes of the 36<sup>th</sup> meeting of the Authority held on 23<sup>rd</sup> March, 2004  
at 11.00 hrs in the office of the Authority at Hyderabad**

The following members were present at the meeting:

Shri

- 1) C.S. Rao
- 2) P.A. Balasubramaniam
- 3) T K Banerjee
- 4) Mathew Verghese
- 5) Vivek Mehrotra
- 6) Sunil Goyal

In attendance: Mr. Prabodh Chander, Designated Officer

Also present as invitee: Mr. K. Subrahmanyam, Executive Director

The meeting was called to order at 11.00 a.m.

Chairman introduced Sh. Mathew Verghese, Member (Non-life) who joined the Authority on 29<sup>th</sup> October, 2003. He also informed the Committee that Sh. Sunil Goyal, President of ICAI has replaced Sh. R Bhupathy as Part-time Member of the Authority. Chairman extended a warm welcome to both the members.

The regular agenda was then taken up for consideration.

**Item No. 1: Confirmation of the minutes of the meeting held on 8<sup>th</sup> October, 2003.**

The Members pointed out that the Minutes of the Authority read more like a record of discussions than decisions taken in the Meeting. It was decided that in future, the minutes would record the decisions and, if the situation warrants it, a brief explanatory note would be given. It was also decided that a note on the action taken on the decisions of the Authority would be provided in the subsequent meeting.

Minutes of the meeting of the Authority held on 08.10.2003 were then adopted.

**Item No.2: Consideration of the budget of the Authority for the year 2004-2005.**

The Chairman explained the salient features of the Budget for 2004-2005. He explained that there is need for allocation of specific resources for taking up construction of the building for the office for which land was allocated by the Government of Andhra Pradesh. He promised to place before the Authority the designs, the estimates and the construction schedule for the office building as early as possible. After discussion the Budget was approved.

**Item No. 3: Items for information**

- a) Report of the Expert Committee to examine the remuneration system for insurance brokers, agents, etc.
- b) Report of the Government Committee on Surveyors and Loss Assessors.
- c) Guidelines on derivatives instruments.

The Chairman informed the members that the Authority received:-

- a) Report of the Expert Committee on the remuneration system for brokers and agents.
- b) Report of the Committee on Surveyors and Loss Assessors set up by the Government.

Both the reports have made significant recommendations which have far reaching implications. The Chairman indicated that in view of the urgency, the Authority issued orders on the commission structure for brokers. However, there are a number of other suggestions made by the Committee which require detailed examination before taking a decision.

Members opined that the brokers can play a significant part in a de-tariffed regime and it is time the Authority addresses the issue of de-tariffing and prepares a road map to make the process smooth. Some members were of the opinion that it is a good idea to de-tariff some areas such as motor. It was finally agreed to assign this task to a small group which will prepare the road map for de-tariffing the non-life insurance business. Members also discussed the other recommendations made in the report and were unanimous in disallowing sub-broking despite there being a demand from the broker community.

Members indicated that presently RBI is issuing permission for setting up insurance liaison offices in India. They suggested that the RBI may be approached to allow the IRDA to deal with this issue as foreign exchange is no longer a constraint. It was therefore decided that the Authority will take up with the Reserve Bank of India the possibility of authorizing the IRDA to issue approvals for opening of liaison offices in the country.

The Chairman then took up the report of the Government Committee on Surveyors and Loss Assessors and briefed the members of the developments that have taken place in this regard since submission of the report. The two surveyor's Institutes have decided to work jointly in setting up the Institute for surveyors as recommended in the report and accepted by the Government. Sh. G V Rao, Ex-CMD, Oriental Insurance Company Ltd., has been appointed as an advisor by the Authority to draw a road map for establishing the Institute. Members suggested that both, the Government and IRDA, should not be involved in the surveyor's Institute and it should be managed by the Members. It was also suggested that the form of the institute can be that of a company under the Companies Act, 1956.

The guidelines drawn up by the Authority on derivatives (item 2C) was taken up next for discussion by the members. Chairman informed that the Authority was consulting SEBI and would take into account their inputs before issuing the guidelines. Some members felt that this being a new and unexplored area with very few experts in the field, the Authority should exercise extra caution and be conservative. Chairman explained that the Authority is providing an enabling environment only and the investment decision is finally the responsibility of the Board of Directors of the insurance companies.

#### **Item No. 4: Consideration of draft Tariff Advisory Committee (Election of members, meetings, functions and miscellaneous) Regulations.**

The Chairman explained that this issue was discussed in the Insurance Advisory Committee. It transpired in those discussions that while the Regulations could prescribe the procedure for conduct of election of members under Sec 64 UB, what should constitute the electoral college can be prescribed only in Rules as contemplated under 64 UA. Since there would be some overlap between the two and as the Insurance Rules already cover most of these activities of the TAC, it was decided to address the government to suitably modify the existing Rules or replace them with a set of new Rules instead of prescribing part of it in Rules and

the rest in Regulations. It was decided to await the government's response to the approach outlined above.

**Item No. 5: Specifying limits of statutory cessions of reinsurance in terms of Section 101A and to take note of the recommendations of the Reinsurance Advisory Committee.**

The Authority took note of the recommendations of the Reinsurance Advisory Committee and the circular issued by the Authority specifying the limit of statutory cession of reinsurance in terms of Section 101A of the Act was taken as approved.

**Item No. 6: Approval of the sponsorship of Spirit of Unity Concerts for Universal Integration promoted by Bharat Cultural Integration Committee on Doordarshan.**

Members were given the background which the Authority considered for sponsoring spirit of unity concerts on Doordarshan alone. Members were of the opinion that for spreading the message of insurance, TV is a good medium and because of the wide spread coverage, Doordarshan is an ideal medium. It was decided that apart from using Doordarshan, the Authority will consider whether the insurance awareness programme should be carried through professional institutes and agencies such as ICAI, CII and FICCI. The Authority will come back to the Board on the revival of the "Phone-in" programme on Doordarshan which elicited good response.

Item No. 7: Any other item

a) Grievance Redressal Cell of the Authority

Discussions were initiated by the members on the functioning of the grievance cell in the Authority. The members were informed that the grievances were being forwarded to the respective companies for resolution. The members felt that if the Authority fails to actively involve in resolution of the grievances of the consumers, it would lose its credibility. Some members suggested that a better way would be to follow the SEBI manner of handling grievances. It was decided that a Grievance Redressal Cell should be established in the Authority by requisitioning the services of a suitable officer on deputation basis or dedicating its existing resources for this work.

b) Constitution of the Committee on Corporate Governance in the insurance sector

Members stressed the need for monitoring the market conduct of the insurance companies. These are issues that concern corporate governance. The members felt that the Authority should constitute a committee on corporate governance. The work done by ICAI in this area will also be looked into before taking final decision.

- c) Recruitment Rules, Strength of officers and staff of the Authority and Road-map of activities to be carried out by the Authority.

One of the members pointed out that there was an assurance given to the Parliament about the recruitment rules which was pending. Chairman assured that Authority would finalize its norms for recruitment and furnish the same to Government. Members wanted to know whether IRDA has a road-map of activities which it will undertake over a period of next 3-4 years and what plans it has to ensure that its strength of officers and staff is commensurate with the work that will be carried out. Chairman indicated that a five year perspective plan will be prepared and presented to the Authority. It was clarified by the Chairman that the Authority has appointed Mr. C N S Shastri as part-time advisor who is a specialist advising the Authority in developing accounting formats and advising the Authority on regulatory issues. His services are also used for training officers of the Authority. Mr. G V Rao, ex-CMD, Oriental Insurance Co. Ltd., is appointed as advisor for establishing the surveyor's institute. The need for senior officers in the financial, administrative, grievance redressal, etc., was also discussed by the Chairman with the members.

- d) IIRM

Chairman informed that it is proposed to increase the activities of IIRM and Mr. Vepa Kamesam, former Deputy Governor of RBI, has agreed to assist the Institute on a part-time basis to develop and guide the activities of the IIRM.

The meeting ended with a vote of thanks to the Chair.

(C.S Rao)  
Chairman