

Minutes of the 37th meeting of the Authority held on 2nd July, 2004 at IRDA Headquarters, Hyderabad

Authority's meeting was held on 2nd July, 2004 in the office of the Authority. The meeting commenced its proceedings at 11.00 AM.

The following members were present at the meeting :-

Shri C.S. Rao, Chairman
Shri P.A. Balasubramanian, Member
Shri T K Banerjee, Member
Shri Mathew Verghese, Member
Shri Vivek Mehrotra, Member

In attendance: Mr. Prabodh Chander, Designated Officer

Also present as Special Invitees:

Shri C N S Shastri, Advisor
Shri K. Subrahmanyam, Executive Director

Leave of absence was granted to Shri Sunil Goyal, Member who couldn't attend the meeting due to preoccupation with his meeting with Hon'ble Minister of Finance.

Chairman called the meeting to order to consider the regular agenda.

Agenda Item No. 1: Confirmation of the minutes of the meeting of the Authority held on 23rd March, 2004.

The minutes of the Authority's 36th Meeting held on 23rd March, 2004 were adopted.

Agenda Item No.2: Action taken Report

Chairman briefed the Members on all the eight points listed in the item. The Members took note of the same and discussed in general about Consumer Grievances received by the Authority and also by the Ombudsmen. Chairman shared his views with the Members about functioning of Ombudsman institution and gave an overview of issues discussed in the Joint Conference of Ombudsmen and the meeting of GBIC held at NIA, Pune on 28-30 June, 2004.

It was agreed by the Members during the discussion that after examining the internal grievance redressal mechanism of the LIC of India, Authority would advise non-life insurers to introduce an effective grievance redressal mechanism on the lines of the LIC where they could have outside experts and judicial member in the Committee to redress the grievances. It was considered that the consumer complaints which are not resolved by the in-house Committee only need to go to Ombudsman. The jurisdiction of the proposed committee would be open to all consumer grievances including matters covered under Grievance Redressal Rules, 1998.

It was decided that the Authority would place information on its web-site about the availability of grievance redressal mechanism of: insurer's internal committee, Ombudsman and about the procedure required to be followed by the aggrieved consumers to pursue their complaints effectively. Regarding grievances received by the Authority, it was decided that the grievances involving matters of law may not be effectively disposed by Authority but wherever there are issues of facts and misinterpretation by insurers, Authority could take up the matter with the insurers. Chairman suggested that IRDA's campaign would also cover the areas of consumer grievances. It was agreed that Authority would also place on its web-site specific information explaining the role of IRDA in grievance redressal.

Members discussed about varied approach followed by Ombudsmen in application of Section 45 of the Insurance Act and felt that solution lies in advising GBIC & Ombudsmen to regularly analyze the complaints and issue compendium of the decisions taken by Ombudsmen so that all the Ombudsmen follow the Grievance Redressal Rules uniformly to apply the basic principle of fair play and equity in delivery of justice to aggrieved consumers of personal lines insurance contracts.

Members also discussed the issue of de-tariffing non life insurance and felt that Authority has to be careful in taking a decision so that the market does not fail. Since absence of scientific data for de-tariffing and pricing is persisting an alternative needs to be in place before market is freed from the existing tariff.

Members discussed about the constitution of Corporate Governance Committee and decided to have persons of repute in this area. It was suggested to check availability of Mr. Malegon or person of his stature before taking final decision in the matter. Chairman also pointed out that our registered insurers are closely held companies and there are no composite license but the corporate governance is an important issue

which needs to be extensively discussed. It was desired that experience of SEBI and RBI may also be elicited and people with insurance background and knowledge may also be taken in the proposed Committee.

Agenda Item No. 3: Review of growth of insurance business in the year 2003-04

Chairman initiated discussion on the growth of insurance business both in life and non-life sector. Members felt that the growth rate on both the sectors is good particularly the performance of private insurers is better. Members expressed a view point that compliance of rural and social sector should be monitored on a monthly basis and insurers who have marginally failed to achieve stipulated targets may be advised to make good the shortfall in the ensuing financial year. Chairman pointed out that on the basis of provisional figures submitted by insurers Authority has given show cause notice to those insurers who have not been able to meet the requirements.

Members furnished their feedback about non-life insurer's practice of underwriting and claims settlement in the areas of health insurance and desired that a standard definition or benchmark should be established for the pre-existing disease clause in the insurance contracts. It was felt that since health insurance business is growing there is a need to streamline it for orderly growth.

Members noted that motor insurance business is being underwritten by private insurers to the tune of 31% of the portfolio although they have restrictive underwriting practice in the commercial segment of motor business.

Agenda Item No. 4: IRDA Organizational Structure

Chairman explained the basic philosophy of the proposed organization structure contained in the note for efficient discharge of duties & functions of the Authority. Members supported the proposal and agreed to adopt the organizational structure, inter alia having : a life insurance section, a general insurance section, an actuarial section, a research and development section, an administration section, rotation of staff/officers through different functions to recognize the need of building expertise in areas of: reinsurance, audit practice / standards, accounts and investments which would also provide opportunities for team work and integrated approach of supervision wherein the core work would be

handled at the level of Deputy Directors, acting as referral centers, with a Joint Director or an Executive Director supervising him. Members recognized the need of having regular review meetings at the level of Deputy Directors, Joint Directors and Executive Directors for the purposes of update and free exchange of views pertaining to the functioning of the Authority and supervision of its registered entities.

Chairman brought to the notice of the Members present that Shri Goyal, President of ICAI who could not attend the meeting conveyed his views by fax dated 02/07/2004. The Member felt that since the organizational structure of IRDA was earlier studied by a Committee it would help if that report is also circulated for a proper appreciation of the present proposal. Chairman explained that while the original staff strength was determined in the year 2000, there were subsequent additions in 2002 and the present proposal does not materially alter the structure. It only provides for additional grades within the structure as in a small organization the aspirations of the staff can be partly met through creation of additional grades within the structure to the extent possible rather than create additional levels in the hierarchy.

The proposal of increase in the various existing cadres of staff strength from 68 to 79 was discussed and it was agreed to increase this to 79 with the bifurcation of increase of: a) 6 in the case of Assistant Directors; b) 3 in the case of Deputy Directors; c) one Class-I Grade-III (Joint Director) and d) one in Class-I Grade-V (Executive Director).

Agenda Item No. 5: IRDA Staff Structure, Recruitment and Promotion Rules

Introducing the subject, the Chairman explained that the present proposal broadly conforms to the staff structure as adopted by the Authority. The area where it differs is the number of grades of scale in the case of Class-I. The scheme as approved originally contemplated the following four grades in Class-I.

Class I

Grade-I	Assistant Director	7825-17325 (20 yrs)
Grade-II	Deputy Director	15675-21050(11 yrs)
Grade-III	Joint Director	19200-21700(5 yrs)
Grade-IV		21275-23900(5 yrs)

Subsequently, the Authority created two posts of Executive Director in the same scale of pay as Grade IV and appointed two Executive Directors. According to the Regulations approved by the Authority the minimum qualifying service for promotion is 3 years. The Authority has not so far notified the qualifications for the various posts, the method of recruitment, what percentage is reserved for promotion etc. In the present proposal details relating to age, qualifications, experience for recruitment, percentage of posts reserved for promotion, the qualifying service for promotion have been specified.

The proposal also recognizes that in a small organization like IRDA pure vacancy based promotion would provide a windfall benefit to some while depriving a large majority of the chances of promotion leading to frustration. Hence, in the present proposal, provision has been made for two grades at two levels viz. Assistant Director and Joint Director by creating two grades of Senior Assistant Director and Senior Joint Director. The Chairman drew the attention of the Members to the Annexure to Agenda Item No.4 where the strength of the organization has been indicated. He pointed out that flexibility has been provided in operating the posts of Assistant Director/Senior Assistant Director and Joint Director/Senior Joint Director by having a combined staff strength. However, in due course, the number of posts in each of the categories will have to be firmed up by the Authority. He mentioned that while he had originally proposed 5 years service in the Grade of Assistant Director for promotion to the post of Senior Assistant Director in the case of Actuarial Services and 8 years service in the case of Assistant Directors in other fields and a scale of pay of Rs.13050-475-17325 for Senior Assistant Directors, he would like to propose a uniform minimum service of 5 years for promotion to the post of Senior Assistant Director in all Departments and a scale of Rs.11200-475-17325 instead of the scale of Rs.13050-475-17325.

As regards Junior Officers also it is proposed to reduce the eligibility period for promotion to Assistant Director from 8 years to 5 years.

The Chairman also explained that a separate grade of Rs.22,850-525-25,575 which has already been given to the two Executive Directors is proposed for regularization.

In the case of Class IV the grade as originally proposed covered Record Keeper, caretaker etc which is at a higher level than what is normally obtaining as the initial grade of Class IV for messengers, security guard etc. It is felt that this scale should also be available in the hierarchy,

though it is not being operated. If an occasion arises the Authority would be approached for creating posts in this category.

The Committee considered the proposals submitted and approved them with modifications suggested by the Chairman.

Agenda Item No. 6: Proposal for setting up of Research & Statistics

The note of the Chairman dated 10th June, 2004 containing the proposal for setting up a Division of Research and Statistics was discussed and it was agreed to create a division of Research and Statistics and fill the post of its incharge for period of three years by drawing a retired or serving officer from any other institution with proven track record on a contract basis.

Agenda Item No. 7: Note on definition of Rural Sector in IRDA (Obligation of Insurers to Rural Sector) Regulations, 2002.

The note of the Chairman explaining the need for redefining the definition of "Rural Sector" and the proposed draft Regulation was discussed. Members agreed that the rural sector should be re-defined to mean "the places or areas classified as 'rural' while conducting the latest decennial population census (Census of India)". The designated officer was advised to take steps for notification of the definition as the subject was already discussed in the meeting of the Insurance Advisory Committee held on 22nd March, 2004.

Agenda Item No: 8: Any other item with the permission of the Chair

Supplemental Agenda Item No.1:

Sub: Insurance Awareness Campaign on Doordarshan and All India Radio

The Chairman explained that the proposal in the note circulated covers three district proposals viz.

- a) restarting of the phone-in programme;
- b) sponsorship of the Olympic games through Doordarshan network; and
- c) creation of new jingles

The Authority approved the proposals at (b) and (c). As regards the phone-in programme the following suggestions were made:

- i) that the coverage should be expanded to Bhubaneswar and Gauhati so that the backward areas in the East and North East are covered.
- ii) Mr. Mehrotra suggested that Madhya Pradesh, Chattisgarh and Rajasthan which are backward states may also be covered.

After a detailed discussion it was decided to extend the coverage to Bhubaneswar and Gauhati. It was also decided that instead of Lucknow, the Authority would extend coverage to all Hindi speaking areas by organizing the programme through the National Channel instead of through regional network.

General

- i) Chairman brought to the notice of the Authority that Shri Goyal, President, ICAI had suggested discussion on the following issues:
 - a) organizing education programme to the general public in collaboration with ICAI; and
 - b) recognizing the Modular training programme taken up by ICAI for Chartered Accountants as fulfillment of eligibility requirement for grant of surveyor license.

Chairman explained that as regards (a), the accent of the Authority has been on mass publicity through the Public Broadcaster rather than through district level workshops which was proposed by the ICAI. The proposal as now suggested would be not only costly but also time consuming. As regards (b), the Chairman explained that the relaxation proposed by ICAI may lead to litigation. He also pointed out that the process of setting up the Surveyor's Institute is presently on and any steps taken at this stage may have an effect on this process. Chairman indicated that he would separately discuss with President, ICAI on how to address the two issues raised by him.

- ii) Member (Actuary) raised the issue of outsourcing of investment functions by the insurers instead of undertaking them in-house. Mr. Mehrotra pointed out that SEBI is also concerned about this activity as the management of funds by the third party by an Asset Management Company raises issues of moral hazard. Chairman stated that the Authority is seized of the issue and a circular would be issued to the insurers to adhere strictly to the Regulations on investment.

There was no other item for discussion and the meeting ended with the vote of thanks to the chair.

(C.S Rao)
Chairman