

MINUTES OF THE 43rd MEETING OF THE AUTHORITY

held on 17th January, 2006 at 11.30 a.m.

in the Office of the IRDA at 3rd Floor, Parishram Bhavan, Basheer Bagh,
Hyderabad.

Present:	Chairman	Mr. C. S. Rao
	Member	Mr. C. R. Muralidharan
	Member	Mr. K K Srinivasan
	Member	Mr. Ashok Chawla
	Member	Mr. Kamlesh Vikamsey
	Member	Mr. Vijay Mahajan
	Invitee	Mr. C N S Shastri
	Invitee	Dr. D V S Sastry
	Invitee	Mr. P.A. Balasubramanian
	Also present	Mr. K. Subrahmanyam
	Also present	Mr. P C James
	Also present	Mrs. V. Vedakumari
	Also present	Mr. M M Siddiqui

Chairman extended a warm welcome to Mr. Ashok Chawla, Additional Secretary, Ministry of Finance and to Mr. Vijay Mahajan, Managing Director, Bhartiya Samruddhi Finance Limited who were attending the Authority Meeting for the first time.

Leave of absence was granted to Mr. Gautam Hari Singhania, Part-time Member.

Chairman gave a bird's eye view of the renewed interest in the insurance sector for the year 2005, which is likely to post a growth rate of about 30% on par with the previous year.

Item # 1: Confirmation of Minutes of the 42nd Meeting of the Authority held on November 16, 2005.

The meeting then took up for consideration the confirmation of the Minutes of the 42nd Meeting of the Authority held on November 16, 2005. These were confirmed.

Resolution No: 43 : 1

Minutes of the 42nd meeting of the Authority held on November 16, 2005 are hereby confirmed.

Item # 2: Action Taken Report on the Minutes of 42nd Meeting of the Authority held on November 16, 2005.

Resolution No: 43 : 2

The Authority took note of the Action Taken Report.

Item # 3: Power of the Authority to Issue Clarifications - Amendment to Regulations framed under IRDA Act, 1999.

The background for the proposed amendment was explained to the Authority by the Chairman. While agreeing with the need for getting the upfront acceptance of IRDA's power to enforce additional conditions, it was suggested by Mr Vikamsey that the legal aspects should be carefully examined. It was explained by Member (F&I) that RBI has been able to impose additional requirements even on licenses issued earlier under one set of conditions through circulars etc due to the inclusion of such a clause in the original license. Even operational guidelines could be amplified or modified through the circulars issued under the powers vested with RBI under Section 35A of the Banking Regulation Act. Similar provision is not available under IRDA/Insurance Acts. Hence, the necessity.

Additional Secretary (Finance) stressed the requirement of compliance with the provisions of Acts and Regulations so that the proposed agreement of the regulated entity is not challenged later on grounds of lack of legal support for such a clause. It was also suggested that the experience of other regulators such as SEBI/TRAI should be studied in order to benefit from their experience in implementation of the statutory provisions and regulatory instructions. If necessary, the matter can be brought back to the Authority. Mr. Mahajan favoured an approach in line with practices obtaining in SEBI.

Chairman observed that the Members of the Authority have agreed "in principle" that there is need for a provision of this nature. What is, however, suggested now is to examine whether it is legally tenable and also study the practices obtaining in SEBI and TRAI. The proposal would be processed further keeping in view the suggestions made by the Members.

At the suggestion of Consulting Actuary, Mr P. A. Balasubramanian, it was agreed that the scope for extending the above amendment to

regulations other than those listed in the Agenda would also be examined.

Resolution No: 43 : 3

In principle, IRDA resolves to approve the proposal for amendment to the Regulations. The practices followed by other Financial Regulators may be studied and legal validity got confirmed before putting through the amendments.

Item # 4: Adoption of Audited Annual Statement of Accounts of the Authority for the year ended 31 March 2005.

The Members noted that efforts have gone into streamlining the processes of accounts and improvement in maintenance of accounts of IRDA. The accounts for the year 2004-2005 were compiled, internally audited and audited by Comptroller and Auditor General of India (C&AG) and Audit Certificate was received in the third week of December, 2005 avoiding any delays.

C&AG's comments at para 2.1.1 "IRDA Fund – Rs.8.93 lakh" was discussed in great detail. Mr Kamlesh Vikamsey and Mr. Ashok Chawla suggested that the issue of transfer of balance of surplus funds to the IRDA Fund be resolved early so that similar comments as at para 2.1.1 of the said Separate Audit Report (SAR) of C & AG can be avoided for the ensuing year's accounts i.e. for the year 2005-2006.

Mr P A Balasubramanian brought to the notice of the Authority that the average yield of the investments of the funds of IRDA is about 6.8% which he said was a definite improvement over the previous years.

Resolution No: 43 : 4

IRDA resolves to adopt the audited Annual Statements of Accounts of the Authority for the year ended 31st March, 2005, with the C & AG's Separate Audit Report (SAR) and the Audit Certificate.

Item # 5: Extension of Tenure of Deputation of Mr. Arup Chatterjee to IAIS, Switzerland.

The note was considered by the Members of the Authority and accorded approval for grant of extension of tenure of deputation of Mr. Arup

Chatterjee, Deputy Director to International Association of Insurance Supervisors (IAIS), Switzerland.

Resolution No: 43 : 5

IRDA resolves to accord approval for grant of extension of tenure of deputation of Mr. Arup Chatterjee, Deputy Director to International Association of Insurance Supervisors (IAIS), Switzerland from 24th February, 2006 to 31st July, 2007

Item # 7: Performance of Insurance Industry in current Year 2005-2006

Mr Vijay Mahajan noted with concern the compliance aspects of insurance sector regarding rural and social sector obligation. Mr Ashok Chawla dwelt at some length on the “developmental” role of IRDA and sought views whether IRDA was in touch with the Indian corporate to achieve the goals of liberalization of the insurance industry. Chairman elaborated that quite a number of foreign companies with an expressed interest in having collaboration have been looking for strong Indian partners. He also mentioned that IRDA is actively participating in the deliberations of CII, FICCI and various state level fora to convey the views of the regulatory agency.

Resolution No: 43 : 7

The Authority took note of the Performance of the Insurance Industry in the current year 2005 - 2006

Item # 8: Budget for the year 2006-2007

The budget for the year 2006-2007 was noted. It was suggested by Mr. Kamlesh Vikamsey that the construction work on IRDA's building must be based on the requirements for the next 50 years. Mr Ashok Chawla suggested that the design should be such that it provides the best working environment and energy saving too. Chairman assured that the tentative plans would be brought to the next Authority Meeting.

Resolution No: 43 : 8

IRDA resolves to approve the Budget for the year 2006 - 2007.

(C.S Rao)
Chairman