

MINUTES OF THE 48th MEETING OF THE AUTHORITY

held on March 5, 2007 at 11.30 a.m.

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

Present:	Chairman	Shri C. S. Rao
	Member	Shri C. R. Muralidharan
	Member	Shri K K Srinivasan
	Member	Shri G Prabhakara
	Member	Dr R Kannan
	Member	Shri Vijay Mahajan
	Invitee	Dr. D V S Sastry
Also present:	Executive Director	Shri Prabodh Chander
	Executive Director	Shri K. Subrahmanyam
	Executive Director	Shri P C James
	Consultant & Special Officer	Shri Kunnel Prem
	Executive Director	Smt V. Vedakumari

Chairman extended a warm welcome to all those who were present especially to the two full time Members Shri G Prabhakara and Dr R Kannan who were attending the meeting for the first time. He informed about the recently issued notification appointing two more part-time Members, Smt. Ela R Bhatt, Self Employed Women's Association and Dr Sanjiv Mishra, Secretary Expenditure, Ministry of Finance.

Leave of absence was also granted to Shri Sunil Talati, President ICAI, Ex-officio part-time member who was not able to attend owing to prior international commitments.

It was decided that the tentative schedule for convening the next Authority Meetings would be circulated for confirmation of the calendar for the coming year.

Item # 1: Confirmation of Minutes of the 47th Meeting of the Authority held on December 4, 2006

The meeting then took up for consideration the confirmation of Minutes of the 47th Meeting of the Authority held on December 4, 2006.

Since the Minutes were in order it was decided to confirm the Minutes.

Resolution No: 48 : 1

Authority resolves to confirm the Minutes of the 47th meeting of the Authority held on December 4, 2006.

Item # 2: Action Taken Report on the Minutes of 47th Meeting of the Authority held on December 4, 2006

Under item No.5 - Review of Crop Insurance, the Authority noted that the action rests with IRDA in pursuing with the Planning Commission, Agricultural Insurance Corporation and NABARD with regard to obtaining copies of reports on crop insurance. It was, therefore, decided to retain this item for further review.

Item # 3: Movement of the General Insurance Market to a Tariff Free Environment – Specifying Premium Rates applicable to Motor Third Party Insurance.

Chairman requested Member (Non-Life) to initiate the discussion. Member (Non-Life) outlined briefly the contents of the IRDA's Circular no. 035/IRDA/Motor-TP/Dec-06 dated 4th December 2006 issuing Directions under Section 34 of the Insurance Act and Circular no. 034/IRDA/De-Tariff/Dec-06 dated 4th December 2006 specifying the rates for motor third party liability only cover.

He explained the circumstances under which the increase in premium of 150% in respect of commercial vehicles as specified in Circular no. 043/IRDA/De-Tariff/Jan-07 dated 23rd January 2007, was reduced to 70%.

Chairman informed the members that the changes in the pooling arrangement made vide revised Circular no.050/IRDA/Mot-TP/Feb-07 dated 5th February 2007, confining the pool to commercial vehicles only, were ratified by the Consultative Committee at the meeting of the Committee held on 1st March 2007.

Members approved the proposals contained in item no.3 of the agenda note.

Resolution No: 48 : 3

IRDA resolves to approve the proposals contained in Item no.3 of the agenda note.

Item # 4: Revision of Entitlements of Officers and Employees of the Authority

The revision of entitlements of Officers and Employees of the Authority vide Office Order No. IRDA/ORD/ADMN/Revised Entitlements/106/2006-07 dated 4th January, 2007 effective from 1st January, 2007 as proposed in the agenda, was ratified by the Authority.

Item # 5: Review of Regulations on Rural and Social sector Obligations, 2002

Member (F&I) clarified the background of the proposed modifications to the existing Regulations based upon the report of the Internal Working Group set up to review the position. The proposals recognized the need for increasing the

targets to be met by Insurers in the rural and social sectors even while appreciating the need to keep them at practical levels in view of the expanding base of insurance. It was also pointed out that for the first time an attempt has also been made to benchmark the qualitative performance of the insurance companies under these targets, with reference to the levels of sum assured under Micro Insurance Guidelines, so that the performance of the insurance companies lead to meaningful benefits to rural and social sectors. This would also check any attempt in ensuring 'technical' compliance with the targets through low value policies under group schemes etc.

Shri Mahajan agreed that the proposals are in the right direction. He agreed that the compliance by some companies was not really effective and do not sub-serve the objectives behind prescribing the obligation. He also felt that there was a need for enhancing the financial coverage under Micro Insurance schemes from the extant levels as a part of the financial inclusion initiatives of Government of India. It would be a good opportunity to review the Micro Insurance Regulations. In his response, Chairman explained that while the Rural Sector Obligations covered both the poor and comparatively better off segments, Social Sector Obligations were directed at the weaker sections in all locations. The micro insurance targeted the various insurance requirements of these sections and prescribed minimum levels of compliance to avoid tokenism by insurers. It was also necessary to keep the premiums in the micro insurance at an affordable level and before revising the quantum of coverage upwards the extent of increase in commensurate premium needed to be further studied. Shri Mahajan was of the view that there was scope for providing cover under micro insurance at lower rates consistent with the current improvement in the longevity and we should explore the possibility of reduction of premiums atleast in the micro insurance sector with the cooperation of the insurers. The observations of the Member were noted and it was agreed that they could be further discussed when the draft regulations were taken-up at the Insurance Advisory Committee for their approval and finalisation.

Resolution No: 48 : 5

IRDA resolves to place the draft regulations on Rural and Social Sector Obligations before the Insurance Advisory Committee for consideration.

Item # 6: Construction of the office building of IRDA – Proposal to entrust the work to APIIC

The Authority then took into consideration the proposal to entrust the execution of the whole project to APIIC on a turn-key basis. It was decided that a Committee to liaise, supervise and monitor the entire project may be nominated.

Resolution No: 48 : 6

The Authority resolves to approve the proposal to entrust the work to the M/s Andhra Pradesh Industrial Infrastructure Corporation (APIIC), Hyderabad on a turn-key basis and to enter into MoU.

Item # 7: Budget Estimates for the year 2007-08

Members noted that while the inflows exceeded the estimates during the year 2006-2007, the expenditure was considerably less than what was budgeted. It was noted that the increase in inflows was predominantly due to the increase in numbers of registration and renewal of intermediaries. In this context, the role and responsibility of IRDA vis-à-vis accreditation of training institutes, licencing of agents and corporate agents and grievance management were generally discussed. That the entire system needs streamlining was the unanimous decision. It was decided to constitute a working group to review the functioning

of the Training Institutes accredited by the Authority and suggest modifications, alternatives to the existing system and examination procedures.

Chairman suggested that a very sound examination system was the need of the day and training should be the prerogative of the insurance companies.

Resolution No: 48 : 7

IRDA resolves to approve the Budget for the year 2007 - 2008.

Item # 8: Highlights of the Actuarial Reports of Insurance Companies 2005 – 2006

Member (Actuary), presented summary findings of the Actuarial Abstracts received from the Life and Non-life Companies for the business ending March 31st, 2006. He discussed various parameters viz., premium growth, product share, channel share, lapse ratio, yield pattern and solvency ratio. In the case of life companies for only one company, the ratio of available to required solvency margin is less than the prescribed value of 1.5 (LIC of India). In the case of non-life companies for three companies solvency ratio was less than 130% as against 150%.

Both the Chairman and other members welcomed the report and appreciated the efforts of the actuarial department and commented that in future focused analysis could be done for each parameter vis-à-vis international values, which could serve as some kind of bench marking, so that a view could be obtained regarding the available position in India.

Member(actuary) also explained to the Authority his plan of action for the next few months which was appreciated.

The memorandum was taken on record.

Supplementary Agenda Item # 1 : Financial assistance to IIRM for setting up of International School of Actuarial Science

The Authority noted with appreciation the growth in the activities of IIRM and expressed the satisfaction about the efforts being put in for establishing the institute's credibility in the academic and insurance industry.

Shri Vijay Mahajan suggested that IRDA could consider providing scholarships, chair professorship and sponsoring specific projects in other well known academic institutions like IIMs, Central Universities, Insurance Academies etc. He also highlighted the need to perhaps earmark Rs.10 crores from IRDA's budget for such sponsorships. The scheme of RBI on such matters could be emulated. It was decided that this suggestion would be examined in the context of similar schemes under implementation by the two Regulators in the financial sector viz., RBI and SEBI.

Resolution No: 48 : S: 1

IRDA resolves to approve the sanction of a long term interest-free loan of Rs.2 crore to IIRM for setting up of Actuarial School and Distance Learning Centre and authorize disbursement of Rs.50 lakhs in two instalments in the current financial year

Supplementary Agenda Item # 6: Revision of Pay and allowances of Executive Directors

Members noted the proposal for the revision of pay and allowances to Executive Directors as adopted by SEBI effective from 1.11.2002 and approved the proposal for revision of pay scales of EDs from Rs.22850-525-25575 to Rs.35000-1000-40000 (5 Years).

Resolution No: 48 : S : 6

IRDA resolves to approve the revision of pay scales of Executive Directors effective from 1.11.2002 as proposed in the note.

(C S Rao)
Chairman