



MINUTES OF THE 63rd MEETING OF THE AUTHORITY

held on May 31, 2010 at 3:00 p.m.

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

Present:	Chairman	Shri J Hari Narayan
	Member	Shri R.K. Nair
	Member	Shri K K Srinivasan
	Member	Shri G Prabhakara
	Member	Dr. R Kannan
	Part-time Member	Smt L M Vas
	Invitee	Dr. D V S Sastry
Also present:	Executive Director	Shri K Subrahmanyam
	Executive Director	Shri Prabodh Chander
	CSO (Life)	Shri Kunnel Prem
	Executive Director	Shri A Giridhar
	FA & CAO	Shri N Srinivasa Rao

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri Vijay Mahajan, Chairman, BASIX, Smt Ela R Bhatt, Founder, SEWA and Shri Amarjit Chopra, President, ICAI who could not attend because of prior commitments.

Item # 1: Confirmation of Minutes of the 62nd Meeting of the Authority held on February 9, 2010.

Authority approved the minutes of its 62nd meeting held on February 9, 2010.

Resolution No: 63:1

Authority resolves to confirm the Minutes of the 62nd meeting held on February 9, 2010.

Item # 2: Action Taken Report on the Minutes of the 62nd Meeting of the Authority held on February 9, 2010.

Noted.

Item # 3: R2 Application of L&T General Insurance Company Limited.

The R2 application of L&T General Insurance Company Limited was taken up for consideration. It was submitted that the company complied with the conditions stipulated by the Authority while approving R1 on 9th February, 2010 which included:

- i) seeking prior approval for the appointment of Managing Director
- ii) increasing in the paid-up capital from Rs 100 crores
- iii) seeking prior approval of the Authority before transfer of shares
- iv) committing capital commitment and funding by promoters for maintaining solvency margin
- v) providing detailed paper on how the company would sustain itself without having any experience in the insurance sector.

It was further submitted that even though the promoters, Larsen & Toubro, have no previous experience in insurance sector, the background of the L&T and its financial services subsidiaries, their strengths of credible brand name, vast distribution network, strong IT systems, experienced management team and access to existing client base will enable them to create value and market for the general insurance company. The Board noted the compliance of the conditions stipulated at the time of approval of R1.

The company's detailed comments in the R2 application on how they propose to meet the regulatory requirements on organizational set-up, underwriting arrangements, marketing and reinsurance arrangements as well as the operational areas such as internal control, management etc were explained. The application met all the requirements of R2 and hence the company was eligible for issue of certificate of registration on completion of other statutory requirements.

Whilst on this Member (Non-Life) observed that:

1. the retention limits stated to be in line with the standard guidelines as suggested by Reinsurers appeared to contain a slight discrepancy; and
2. under Item 16 of the R2 application form, the company did not enclose premium tables for the products along-with rebates offered.

It was clarified that the retention limits of an insurance company are determined based on the financial strength of the company and are to be in line with the objectives contained in the Reinsurance regulations.

It was further clarified that the premium tables are furnished by the company to the Authority at the time of filing of the insurance products under the file & use guidelines and none of the applicants in the past had filed the premium tables at the R2 stage. Member (Actuary) explained that the premium tables under the file & Use guidelines are certified by the chief underwriting officer who is delegated this authority by the Board of Directors. It was therefore decided that the premium tables for the products along-with rebates offered shall be in conformity with the File & Use guidelines.

The Board noted the same and resolved to grant approval to the R2 application of L & T General Insurance Company Limited.

Resolution No: 63:3

IRDA resolves to accord approval of R2 application of L&T General Insurance Company Limited and issue certificate of registration (Form R3) on compliance with various other requirements/ formalities in accordance with the provisions of Insurance Act, 1938 and IRDA's (Registration of Indian insurance companies) Regulations, 2000 and subject to statutory and other requirements to be specified at the time of issue of R3.

Item # 4: Online Examination for Pre-recruitment examination for Insurance Agents

Resolution No: 63:4

IRDA resolves to approve that Insurance Institute of India and NSE-IT shall computerize all the remaining examination centers in the country by 31st march 2011. The two organizations shall enter into an agreement along with IRDA for this purpose. The financial arrangement between I.I.I. and NSE-IT shall be finalized by a committee consisting of representative of IRDA, Life Insurance Council, General Insurance Council, I.I.I., NSE-IT and any other nominees of IRDA. The Committee shall ensure that the fee to be charged from agent candidates is reasonable and not excessive.

Item # 5: Regulation for acquisition of databases

The proposed draft Regulation on IRDA (Acquisition of Database for Distribution of Insurance Products) Regulation, 2010 is placed before the Insurance Advisory Committee on 28th May 2010 and before the Board of the 63rd Meeting of the Authority. The approved version is placed at **Annexure I**.

Resolution No: 63:5

IRDA resolves to approve the proposed draft Regulation on IRDA (Sharing of Database for Distribution of Insurance Products) Regulation, 2010 as modified by the board of the Authority. It was also resolved to withdraw all the circulars, guidelines, instructions issued by the Authority regarding referral arrangements.

Item # 6: Regulation for ULIP surrender Charges

The note on draft regulation on Standardization of terms & conditions of ULIP Products and treatment of lapsed linked policies was taken up for consideration. It was explained that the Authority has carried out a study of the practices relating to unit linked insurance followed by the life insurers. It has been observed during the study that the practices being followed especially for revival, lapsation and surrender of linked policies vary widely from insurer to insurer. This has necessitated regulations on Standardization of terms & conditions of ULIP Products and treatment of lapsed linked policies.

The exposure draft on IRDA (Standardization of the terms & conditions of ULIP Products and treatment of policies) Regulations, 2010 was placed on the web-site of the Authority on 18th May, 2010 for the comments of the various stakeholders. The draft regulations were also discussed in the Meeting of the Insurance Advisory Committee held on 28th May, 2010. Based upon the discussion held in the Insurance Advisory Committee and the responses received from various stake holders, some changes in the draft regulations have been carried out which are as under:

The draft regulations were deliberated upon and were approved with certain modifications and the approved version is annexed (Annexure II).

Resolution No: 63:6

IRDA resolves to approve the draft regulations on TREATMENT OF DISCONTINUED LINKED INSURANCE POLICIES subject to its legal vetting.

Item # 7: Any other item with the permission of Chair.

Additional Agenda Item # 1

Proposed Amendment to Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002

The proposed amendments as recommended by the Insurance Advisory Committee at its meeting held on 28th May, 2010 was approved by the Authority. The approved version is placed at **Annexure III**.

Resolution No: 63 : S :1

IRDA resolves to approve the proposed draft notification on amendments to IRDA (Licensing of Corporate Agents) Regulations, 2002 as modified by the Board of the Authority.

Additional Agenda Item # 2

Proposed Amendment to Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosures), Regulations 2000

The proposed amendment as recommended by the Insurance Advisory committee at its meeting held on 28th May, 2010 was approved by the Authority. The approved version is placed at **Annexure IV**.

Resolution No: 63 : S :2

IRDA resolves to approve the proposed Amendment to IRDA (Insurance Advertisements and disclosures), Regulations 2000 as modified by the Board of the Authority.

**(J Hari Narayan)
Chairman**