



MINUTES OF THE 74th MEETING OF THE AUTHORITY
held on October 04, 2012 at 11.00 am
in the Conference Room of IRDA Office, Hyderabad.

Present:	Chairman	Shri J Hari Narayan
	Member	Shri R.K. Nair
	Member	Shri M. Ramaprasad
	Member	Shri S. Roy Choudhury
	Part-time Member	Shri S.B. Mathur
Also present:	Designated Officer	Shri Sriram Taranikanti Executive Director
	Sr. Joint Director	Shri Suresh Mathur
	Joint Director	Dr. Mamta Suri
	Joint Director	Smt. J. Meenakumari
	Joint Director	Shri A. Ramana Rao
	Joint Director	Shri H. Ananthakrishnan
	Deputy Director	Shri R. K. Sharma
	OSD	Shri R.K. Sinha
Deputy Director	Shri Prasad Rao K	

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri Arvind Kumar, Part-Member, Shri V.K. Gupta, Part-Member and Shri CA Jaydeep N Shah, Part-time Member who could not attend because of prior commitments.

Item 1: Confirmation of Minutes of the 73rd Meeting of the Authority held on 31st August, 2012.

Confirmed

Item 2: Sharing of confidential information concerning domestic and foreign entity.

Shri H. Ananthakrishnan, Joint Director gave a brief background of the proposed Regulations. He informed that in March 2010, both RBI and IRDA were asked to examine scope for international cooperation and access to information. In pursuance of the same, IRDA had applied for accession to MMoU of IAIS which provides for information sharing and cooperation among signatory jurisdictions.

In order to have accession to MMoU, the IRDA needs to underpin the requirements of MMoU by way of Regulations on sharing of confidential information concerning domestic and foreign

entities. Based on the requirements stipulated by the IAIS, the present Regulations are framed. The Authority considered the Regulations and noted that the IAC in its 16th meeting had also concurred to the same.

To a specific query on the issue of 'lock and key' provision in the Regulations, it was clarified that this covers even electronic means where access would be through password. However, it was advised that this issue may be appropriately relooked into before the Regulations are notified.

On another matter relating to the process for sharing of information, it was clarified that in pursuance of the Regulations, detailed instructions need to be issued to establish procedures for internal use.

To a suggestion from Member (F&I), it was also decided to check with Chairman, SEBI whether in respect of international commitments, whether there is a need to consult with Ministry of External Affairs.

Item 3: Draft Regulations – Scheme of Amalgamation and Transfer information to form part of the proposal document.

It was submitted to the Authority that Section 35 of the Insurance Act, 1938 lays down the prescriptions for amalgamation and transfer of life insurance business and stipulates that no life insurance business of an insurer shall be transferred or amalgamated with the life insurance business of any other insurer except in accordance with a scheme prepared under this section and approved by the Authority.

This regulatory framework is a scheme which lays down the procedure for the amalgamation and transfer of life insurance companies and lays down the regulatory framework in this regard. It was further submitted that this regulatory framework is in lines with the Scheme for Amalgamation and Transfer of General Insurance Business which was notified earlier by the Authority on May 31, 2011.

The framework broadly incorporates Section 36 (Sanction of amalgamation and transfer by Authority) and Section 37 (Statements required after amalgamation and transfer) of the Insurance Act, 1938. These Regulations propose a three stage process of grant of in-principle approval,

compliance by the applicant companies with various regulatory and legal provisions and a final approval by the Authority of the Scheme. It was submitted to the Authority that the Draft Regulations was circulated to the Life Insurance Council for their comments and the Insurance Advisory Committee for their advice. The Life Insurance Council has sent their comments to the Authority with regard to Sub-Section 3 of Section 35 of the Insurance Act, 1938, which requires that specified documents be kept open for a period of two months at the principal and branch offices of the insurance companies for the inspection of the members and the policyholders is very onerous and instead a notice to policyholders and a newspaper advertisement in one national, one Hindi and one vernacular print media be published and that this information be available at the Central Office, Regional Office and on the website of the applicant companies. The Authority has accepted this recommendation and incorporated the necessary changes in Section 4(3) of the Draft.

It was submitted to the Authority that this Regulation is not applicable to Life Insurance Corporation of India. In this regard, the Chairman directed that the applicability of the IRDA (Amalgamation and Transfer of Life Insurance Business) Regulations, 2012 under the said Sections of the Insurance, to Life Insurance Corporation of India shall be subject to the provisions of Section 43 of the LIC Act.

One of the Members sought to understand the applicability of the court process with regard to the amalgamation and transfer of life insurance business. On this, Chairman ruled that the applicability or otherwise of Section 391 to 394 of the Companies Act is yet to be tested and that the IRDA has taken a conservative view in laying down the regulatory framework.

Resolution:

The Authority approved the proposal to notify the IRDA (Amalgamation and Transfer of Life Insurance Business) Regulations, 2012 and authorize the Chairman to make consequential changes in the Draft Regulations in this regard.

Item 4: Amendments to IRDA (Insurance Brokers), Regulations, 2002:

Approved. The Authority noted that the IAC in its 16th Meeting also concurred to the same.

Item 5: Status of Public Disclosures by Life Insurers for the quarter ended June, 2012:

Noted.

Item 6: Adoption of the Accounts for the Financial year 2011 - 12

Noted.

Item 7: Construction of new building of IRDA at Nankramguda, Gachibowli

The Authority noted the status of the construction of the new building. To a specific query from one of the Member, Chairman further informed that the services of CISF and TERI were taken for the issues of security and energy saving respectively and the Authority is working towards getting appropriate certification to the said building. On another issue, Executive Director informed that the scope of the present contract with APIIC also covers electrical and other fittings. On the progress of the work, the Authority noted that mere change of contractor may not result in expediting the work in itself.

Any other items with the permission of Chair

Table Item 2: Annual Report

Shri S.B. Mathur suggested that as Social and Rural obligations are very important and mandated by Law and Regulations, detailed steps taken and the achievements made in these areas may also be brought out in the Annual Report. This was agreed to. It was also decided to publish state-wise density of insurance in the Annual Report.

Table Item 3 : Proposed Amendments to IRDA (Investment) Regulations, 2000

The Joint Director (Investments) highlighted the salient features of the proposed amendments and submitted to the Authority that the procedure of discussion and consultation with the Insurance Advisory Committee was completed in September 2011. A presentation on the proposed amendment was made to the Authority in November 2011 and the Authority directed that Crisil Report with respect to availability of bonds in the market be awaited before finalisation of the IRDA (Investment) Regulations, 2000 proposed therein. The salient features are as under:-

1. Central Government Securities to constitute not less than 25% of the Life Fund, 20% P&A fund and 20% of General Insurance Investment Assets and more clarity on the investment pattern of Group Insurance Policy.
2. Infrastructure investment would constitute 15% of the overall fund for “Life Fund” as against the earlier separate carve out.
3. For purposes of calculation of 75% of Debt Instruments with rating of AAA/P1+, G.Sec. will also be included while calculating this limit.
4. Group as well as Sectoral Exposure norms raised from 10% to 15%.
5. National Industrial Classification Code for Extra Territorial Organizations and Bodies of India (NIC) for exposure calculation, has been explained as applicable at ‘Divisional Level’.
6. Reduction of outstanding tenure of infrastructure bonds from 10 years to 5 years.
7. Permitting investments in infrastructure SPVs to the extent of 20% of the project cost subject to appropriate guarantees by the parent company(ies) along with rating requirements specified.
8. Restricting Group Exposure to 5% for Promoter Group including ULIPs.

The Authority noted the same and directed that with respect to point no.7, the minimum criteria of networth of the parent company be Rs.500 crores incase of public limited company and Rs.250 crores with respect to listed companies on stock exchanges having nationwide terminals. The Chairman further directed that the proposed changes be sent to the Life Insurance Council for their comments and circulate it to Members of the Insurance Advisory Committee.

Resolution:

Resolved that the Authority approved the proposed amendments to the IRDA (Investment) Regulations, 2000. It is further advised that the Chairman is authorized to make consequential changes in the Regulations with a view to carry out proposed changes in the Regulations.

(J. Hari Narayan)
Chairman