



MINUTES OF THE 76th MEETING OF THE AUTHORITY

held on 8th February, 2013 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
Also present:	Designated Officer	Shri Sriram Taranikanti, Executive Director
	Sr. Joint Director	Shri Suresh Mathur
	Joint Director	Shri Randip Singh Jagpal, HoD(NL)
	Joint Director	Shri S. N. Jayasimhan
	Joint Director	Dr. Mamta Suri
	Joint Director	Smt. J. Meenakumari, HoD(Actuarial)
	Joint Director	Smt. Yegnapriya Bharath
	Joint Director	Shri V. Jayanth Kumar
	Joint Director	Shri A. Ramana Rao
	Joint Director	Shri T. S. Naik
	Joint Director	Shri H. Ananthakrishnan
	Deputy Director	Shri R. K. Sharma
	Deputy Director	Shri D. V. S. Ramesh
	Deputy Director	Shri R. Kumar
	Deputy Director	Smt. Sudha Ramanujam
	Deputy Director	Shri N. M. Behera
	Deputy Director	Smt. Jyoti Vaidya
	Deputy Director	Prasad Rao Kalayru
	Assistant Director	Shri G. Rajeshwar

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

Item 1: Confirmation of Minutes of the 75th Meeting of the Authority held on 9th January, 2013.

Confirmed.

Item 1A: Action Taken Report on the Minutes of the 75th Meeting of the Authority held on 9th January, 2013.

In respect of Item 1A relating to proposed instructions on persistency, HoD (Actl) informed that the practices in other countries were examined and are being captured in the proposed standard circular. Member (F&I) underscored the need to bring in harmony in where persistency is captured. Chairman observed and informed the Members that the methodology reflected in Agency Persistency, in Disclosures and in Actuarial calculations should be consistent.

In respect of Item 5, on (Appointed Actuary) (First Amendment) Regulations, it was noted that draft regulations had been sent for notification.

In respect of Item 6 and 7, HoD (Actl) briefed the members that the following changes were made to the proposed Regulations.

1. Change in the date of implementation of the proposed regulations: The proposed date of implementation is changed from 01.04.2013 & 01.07.2013 in respect of Group & Individual business to 01.07.2013 & 1.10.2013 respectively. The above change is proposed due to likely delay in Hindi translation which may in turn delay the gazette notification of these regulations.
2. Change in benefit illustration for Linked Business: The benefit illustration for Linked business is proposed to be demonstrated at 4% & 8% rate of return and the same is proposed to ensure consistency with the non-linked business.
3. Additional death benefit option under Variable insurance products: It is proposed to allow the Insurers to offer higher of SA or Policy account value death benefit option along with the existing SA plus Policy account value. The same is proposed as per the suggestion of the Ministry of Finance.

In addition, certain changes including syntax corrections were made to ensure that the provisions of these regulations convey the meaning intended. The Annexure indicating all the above changes was submitted to the Authority for its approval. The same was taken on record and the Authority noted and approved the same.

In respect of Item 18, on Corpus for Hyderabad Lectures, ED (Admn) apprised that Vice Chancellor, University of Hyderabad, on being informed of the Authority's decision had written that their Registrar will be in touch to formalize the arrangements.

Item 2: Draft Regulations on the Standard Proposal Form in the Life Insurance Business.

The agenda item relating to the Regulations for Standard Proposal Form in Life Insurance was discussed. It was informed that changes consequent to suggestions of the Insurance Advisory Committee were placed as Additional note for the consideration of the Authority. The Authority decided to take these on record (Annexure I) and based on further discussions noted that the following changes need to be effected:

I. Regulations:

1. The term 'Bancassurance' to be added wherever Agent and Broker appear.
2. In the definition of Standard Proposal Form to add 'such form as may be prescribed by the authority from time to time'.

II. Standard Proposal Form format:

1. On the front top page that gives the synopsis of the product opted 'Premium paying term' needs to be added
2. Under the synopsis the order of signatures to be revised to bring in the signature of the insurer at the end.
3. The questions relating to 'consumption of alcohol' to be modified and to include 'Drug Abuse' in simple and clear language.
4. Standard declaration to be appended under Sections A and B of the form.

5. Declaration to be added under Section D to make a provision for 'Where answers to the questions are filled in by a person other than the proposer or where the answers/signature of the Proposer/Life Assured are in vernacular' also, to add declaration by Agent that the terms and conditions of the policy are explained to the proposer.

It was also noted that in due course, the standard proposal form should lend itself for digital conversion using OCR techniques.

The Authority after consideration, approved the draft regulations.

Item 3: Proposed IRDA (General Insurance - Claim Reserving) Regulation, 2013.

The draft of the IRDA (General Insurance –Claims Reserving) Regulation, 2013 was considered by the Authority. The Authority took on record the proposed changes which were made following suggestions after the IAC meeting on 02.02.2013 (Annexure II). Similarly, Shri Arvind Kumar, Part-time Member had given his views vide letter no D.O. R-16016/01/2011-Ins-1 dated 7th February, 2013 which is placed in Annexure III. Chairman had informed that the issues raised therein were already discussed with General Insurance Council on 28.01.2013 and later in the IAC on 02.02.2013.

HOD (Actuarial) explained the purpose of the proposed Regulation on Claims Reserving and informed that it has been initiated as per the earlier directions of the Authority to address the gaps identified in the existing circulars/regulations.

HOD (Actuarial) also explained the concepts and treatment of Premium Deficiency Reserve, Unexpired Risk Reserve and Unearned Premium Reserve to the Members.

During the course of deliberations on the proposed Regulations, the Authority proposed to refer this regulation to Standing committee on Accounting to avoid different terms being used in Accounts and Actuarial reporting and suggested to consider the possible convergence with Actuarial issues.

In this regard, the Authority has delegated the power to approve the regulations to Chairman in consultation with M (F&I) and HOD (Actuarial), provided the changes, if any proposed, after consultation with the Standing committee, are minor in nature. Otherwise, it shall be again referred to in next Authority meeting for approval.

Item 4: IRDA (Health Insurance) Regulations, 2013.

The draft of the IRDA (Health Insurance) Regulation, 2013 placed for consideration of the Authority was discussed.

JD (Health) explained the purpose of and gave a brief of the proposed Regulations, the changes therein and in particular, those considered after the IAC meeting on 28.09.2012(Annexure IV). In this regard, it was also noted that Shri Arvind Kumar, Part time Member vide letter no. D.O. R -16016/01/2011-Ins-I dated 08.02.13 (Annexure V) gave his views on claim approvals and rejections. These were taken on record and discussed. It was noted that the major provisions include:

1. The definition of network provider is modified by adding “TPA” word in the definition to provide medical services to an insured.
2. A standard declaration is added in the proposal form of Health Insurance policies which is consistent with the Standard proposal form designed for Life Insurance companies.
3. In addition to the Insurer having an agreement with the network provider, it is now proposed to allow TPAs also to have an agreement with the network providers provided the insurer is included as third party with certain conditions like Insurer to continue the services if TPA is terminated or changed etc.
4. New clauses to be part of the agreement between insurers, network providers and TPA are added.
5. In order to ensure faster claims settlement, it was proposed to make certain amendments in the Regulation 12 (b) titled ‘Services offered by TPA’ in relation to Health Insurance policies. It was suggested that TPA may handle claims admissions and recommend to the Insurer for the payment of the claim settlement, provided a

detailed guideline is prescribed by the Insurer to the TPA for claims assessments & admissions in terms of capacity requirements, internal control requirements, claim assessment & admissions procedure requirements etc under the agreement. Accordingly, the changes are done in the IRDA (Health Insurance Regulation), 2013 in the Regulation 12 (b) (i). It was decided that rejection of claims should be allowed only at the level of insurer.

6. There is also an amendment in Regulation 5 (m) General Provisions (Disclosures and declarations) by removing the “minimum” word in the standard declaration in the proposal form.

The Authority approved the above Regulations with all the changes proposed.

Item 5: IRDA (Licensing of Bancassurance Entities) Regulations, 2013.

Shri Sriram Taranikanti ED (Admn) briefed about the proposed Bancassurance Regulations and explained that the Authority had felt the need for revising and re drafting certain provisions of the said Regulations, which were placed before IAC for discussion on 22.01.2013 and further discussed on 02.02.2013, with a view to bring in better clarity and understanding. A gist of proposed Regulations and further changes proposed is circulated as an addendum to the earlier note submitted to the Authority.

ED, while elaborating, informed that most of these were either changes of syntax or of other minor corrections. Some others were also made based on the suggestions coming out of the IAC meeting. The Authority decided to take these into record.(Annexure VI)

ED also informed that Shri Arvind Kumar, Part-time Member had given his views (Annexure III) and desired that they be taken into consideration before taking a final view. In this context, ED informed that while on the first issue of Banks being ‘Brokers’, while the Authority had no objection, on the other hand, the RBI has not permitted the same to the Banks. In this context, the members that allowing an Agent to tie-up with more than one Insurer in a given geographical entity can effect the fabric of the agency system. On the other issue raised regarding Banks having Pan India tie-up, ED informed that the current Regulations do not bar any such tie-up. However for clarity, a specific provision to this end is now made. Regarding his suggestion to

ensure minimum level of performance in Zone B and Zone C, a suitable enabling clause for such stipulation is provided for in the Regulations.

ED further informed that a view has now come that Bank promoted insurers on one hand may not release their parent bank for multiple tie-ups while on the other, may go for other banks for pan-India tie-ups. In view of this, there could arise a situation where banking network is concentrated with some insurers, leaving little room for others. Hence there is a need to address this by providing following clause at Regulation 3(5).

” Insurer having tie up with a Bancassurance Agent who is their promoter or substantial shareholder shall not be allowed to have tie up with another Applicant unless the said Bancassurance Agent has multiple tie ups in the manner as outlined in Regulation 5”.

The members agreed to the approach. However, it was noted that since the provision proposed has larger implications, it was felt appropriate to introduce the same only after due consultation with IAC.

As regards Regulation 11, Ms. Meena Kumari, Joint Director, IRDA pointed out that since definition of Annualized premium at Regulation 2(1)(n) contains Premiums earned through Single Premium Policies, the provision at Regulation 11(2)(i) amounts to excess provision, which is to be suitably modified to ensure that the Single premium is not taken into account twice while computing infrastructure fee. Chairman agreed to revise the relevant portions of the said Regulations suitably.

As regards deletion of provision of ‘Professional Indemnity’ at Regulation 21, Chairman explained that the said provision may give rise to a chance to Insurers to refrain from their obligations in respect of certain lapses, putting the burden of lapses on Bancassurance Agents and Indemnity Cover so provided in the provision referred above. In order to see that the Insurers continue to play their role as “Principal”, the provision referred above needs to be omitted. However, in order to also make the Bancassurance Agent accountable, a suitable clause may be incorporated in the Bancassurance Agreement. The Authority agreed for the same.

As regards, rest of the changes proposed in the addendum, the same being either syntax changes or minor changes made to align the provisions with the suggestion made by IAC, The Authority agreed to the same.

In conclusion, the Authority resolved the following.

“In view of the foregoing discussions and changes proposed above, the proposed Regulations may be placed again before IAC for discussion, when it meets next”.

Item 6: IRDA (Places of Business) Regulations, 2013.

Introducing the proposed IRDA (Places of Business) Regulations, 2013, Joint Director (Life) submitted that based on deliberations that have taken place in the Insurance Advisory Committee meeting that had taken place on 22.01.2013 and also on reviewing certain provisions, the following additions / modifications were carried out in the proposed regulations that are placed before the Authority.

- (1) At Regulation 11 (a) it is now mentioned that the required solvency ratio is 1.50 or such other ratio as may be prescribed from time to time.
- (2) At Regulation 15 (c) at the clause where 25% of new branches are prescribed to be opened in places where population does not exceed one lac, it is now mentioned that where the resultant figure of 25% comes to less than 1, the same may be ignored. In case the resultant figure of 25% is more than one and in fraction, the same may be adjusted to the lower whole number.
- (3) At Regulation 17 (c) it is mentioned that where it has come to the notice of the Authority that the decision to close or relocate or the closure or relocation of a place of business is not in accordance with these regulations, the Authority may direct the Insurer to take such action or the Authority may take such action as deemed fit taking in to consideration the circumstances of the case.
- (4) Regulation (21) inserted that the Authority may call for further Statistics and Data related to these Regulations in such manner and format as may be prescribed from time to time.

The comments forwarded by Part-time member Shri Arvind Kumar vide letter dated 07th February, 2013 on Agenda No. 6 – IRDA (Places of Business) Regulations, 2013 placed at Annexure III were also placed before the Authority for consideration. As requested by him, the Authority took note of them.

Initiating discussion, Chairman desired to know if any statistics are available regarding the presence of the branches of the Insurers in places where population is less than one lakh. Chairman also desired to know the potentiality of insurance business in these and other smaller places. It was informed that the Authority does not have the granular details regarding the presence of Insurers' branches based on population size as well as the insurance business potentiality in these locations. In this context, it was also informed that segregated potential data amongst various locations is not available and the Insurers, normally resort to carrying out the analysis of the potentiality of the business before opening any place of business. It was further noted that this information is also critical considering the limitation placed in the Act and Rules in Management Expenses.

Chairman, opined that in the absence of any specific market potential data, it may not be appropriate to the IRDA to prescribe the mandatory norm of opening at least 25% of new places proposed to be opened from the eleventh year of business of insurers. Chairman suggested for deletion of the proposed Clause 15 of the regulations that mandates opening of 25% of new places of business in centres' where population does not exceed one lakh from the eleventh year of business of insurers. Similarly, for further granular prescription for even smaller cities, it would be a greater challenge at this stage The Authority agreed for this proposal. Accordingly Clause 15 of the proposed regulations stands deleted.

It is suggested that Clause (11) of the proposed Regulations which permits all Insurers to open places of businesses in certain centres' where population does not exceed one lakh, shall be brought in as the proviso to Clause (8) and modified in such a way as to allow the insurers to open places of businesses in Tier 2 and below centres' without prior approval of the Authority, provided their having met the eligibility criteria laid down therein.

As regards, classification of places of business, Chairman proposed that instead of mentioning one lakh population as the criteria, it is relevant to link the same to the classification criteria adopted in the latest census. Accordingly it is suggested to allow Insurers to open places of business and informing the Authority in Tier 2 and below centres as per the 2011 decennial census or such other equivalent classification as determined in further censuses from time to time that is equivalent to 2011 Census of Tier 2 and below centres'.

It was also proposed that the conditions to be fulfilled before Closure and relocation of places of business which were stipulated at Clause (17) of the proposed regulations, be also made applicable to those places of business that are proposed to be opened in Tier 2 and below centres' under these regulations.

With these modifications the Authority approved the proposed regulations. The Authority also authorised Chairman to carry out such modifications / corrections that are necessary while framing / drafting the contents of the regulations.

Item 7: IRDA (Issuance of Capital by General Insurance Companies) Regulations, 2013.

Approved.

Item 8: Amendment of Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000.

The Authority considered the draft regulations placed before it. Sr. JD (Intermediaries) submitted that the following changes may also be considered:

- a. In respect of definition of corporate surveyors, that the definition should also include LLP (Limited Liability Partnership) registered under LLP Act for Partnership firms in addition to Companies incorporated under Companies Act, 1956 and firms formed under Partnership Act. The Authority accepted to incorporate the same in the proposed surveyor regulations.
- b. In the matter of Allotment of department/area of work at the time of grant of license to act as Surveyor and loss assessor, there were deliberations as to what qualifications should be prescribed for allotment of departments. It was discussed that there may be more qualifications which may become eligible for grant of license/allotment of department/s in future which may require an amendment to the regulation from time to time and therefore it was suggested that the table showing the allotment of department /area of work vis-a-vis the qualification may be replaced by a circular incorporating all eligible qualifications. The authority accepted the suggestion.

- c. In the matter of Appointment of Surveyors and Loss Assessors by insured / policy holders, the Chairman opined that the provision 12(A) (5) of the proposed regulation be deleted as it is in contrary to the provision of appointment of surveyors by policy holders at their cost. This was endorsed by the Authority.

- d. In the matter of Code of Conduct provided for licensed surveyors and loss assessors under Regulation 15, it was submitted that a new provision has been included under the code of conduct which prohibits licensed surveyors from acting as a consultant of the insured and settling of those claims assessed by them. The Authority advised to delete that provision which prohibits surveyor from acting as a consultant and that the regulation be reworded as follows:
“Every surveyor and loss assessor who is an employee of an insurer shall only survey and assess the loss and not involve in settlement of the claim”.

The Authority approved the Surveyors Regulations after considering the above changes. However, it advised to once again check for consistency and address any practical issues that may come in this place. It authorized Chairman and Member (NL) to address these suitably.

Item 9: Status of Insurance Companies.

Noted.

Item 10: Status of Insurance Repositories.

Noted.

Item 11: List of Circulars/Notifications/Guidelines issued from 1st January, 2013 to 31st January, 2013.

Noted.

Item 12: Status report of construction of building of IRDA as on 31.01.2013.

Noted.

Item 13 a: Cases pending relating to Shareholding Pattern of the Life Insurance Companies.

Noted.

Item 13 b: Status of Change in the Shareholding Pattern by Non -Life insurers.

Noted.

Item 14: Quarterly Report (upto 31st Dec, 2012) on products cleared by Products Approval Committee.

Noted.

Item 15: Proposed amendments to IRDA (Investment) Regulations, 2000.

Approved.

Any other item with the permission of the Chair:

Table Item 2: Visit of Chairman of KIDI to IIB.

Noted.

(J. Hari Narayan)
Chairman