



MINUTES OF THE 79th MEETING OF THE AUTHORITY

**held on 16th September, 2013 at 8:30 AM
at Hotel Novotel Hyderabad Airport, Shamshabad, Hyderabad**

Present:	Chairman	Shri T. S. Vijayan
	Member	Shri M. Ramaprasad
	Member	Shri S. Roy Chowdhury
	Member	Shri D. D. Singh
	Member	Shri S. B. Mathur
	Member	CA Subodh Kr Agrawal
Also present:	Designated Officer	Shri Sriram Taranikanti, Executive Director

Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Shri RK Nair, Full-time Member, Shri Anup Wadhawan and Prof. V.K. Gupta Part-time Members, who could not attend the meeting because of prior commitments. Thereafter the agenda was taken up for discussion.

Item 1: Confirmation of Minutes of the 78th Meeting of the Authority held on 28th June, 2013.

Confirmed.

Item No.3 – IRDA(Insurance Brokers) Regulations, 2013

Sr.JD (Intermediaries) made a presentation to the Members of the Authority on the important additions and modifications made to the IRDA(Insurance Brokers), 2002 in the new regulations. It was informed to the Members of the Authority that the new regulations will supersede the existing regulations on insurance brokers. It was also informed to the Authority that applications received for fresh licenses/renewal licenses and also the proceedings/action to be initiated on the issues observed prior to the notification of the new regulations will be as per the existing IRDA(Insurance Brokers) Regulations, 2002. The Authority was also

informed that subsequent to the notification of the new regulations, the insurance brokers licensed by the Authority will have to comply with the new regulations.

After the presentation, the comments sent by Shri Subhodh Kr. Agarwal, President, ICAI and Part-time Member, IRDA were discussed. It was clarified that the individual/partnerships, which can be considered as applicant for an insurance broker license, have been removed from the new regulations based on the experience of the department while supervising them in the last decade. It was, however, clarified that their application can be considered under the proposed regulation 2(1)(n)(d).

The suggestions made by Shri Agarwal with respect to the proposed regulations 8(vii), 12(3), 18(3), 38(1), 38(3)(v), 38(4), 43, 44(9) and 45(6) have been accepted and suitable modifications may be incorporated in the draft regulations. In this regard the suggestions made by Shri Agarwal were taken on record.

With respect to definition of enquiry officer, the same is already defined in the draft regulations. On the suggestion of President, ICAI that an additional time of up to 60 days may be added under regulation 44(10) for completion of enquiry proceedings by the enquiry officer, it was observed that providing additional time of up to 60 days is not desirable, however, enquiry officer may seek for additional time, if required, and the Chairman of the Authority may grant such extension depending upon the nature of the enquiry.

On the suggestion of defining the words 'material facts' and 'principal place of business', it was clarified that these will be defined in the regulations suitably at appropriate places.

Shri S.B. Mathur, Part-time Member of the Authority has observed the following points:

- 1) that charge of Rs.100/- is very less for delay in submission of renewal application later than 30 days but before the actual expiry of the license;

- 2) that a certificate should be furnished on compliance of regulation 26 on ceiling of business from a single client;
- 3) that the sharing of brokerage under regulation 30 among the co-brokers should not exceed the total brokerage paid as specified by the Authority;
- 4) that as required under regulation 8(2)(iii), in case the trained employ of the insurance broker appointed in a particular branch exits from the services, the branch should be closed.
- 5) in view of the process of cancellation itself takes 6 to 10 months, the period of making a fresh application in case of a cancellation/surrender or refusal of renewal of license should be reduced to one year instead of three years as prescribed in regulation 15(3) of the proposed regulations.

It was clarified that the additional charge of Rs.100/- for late submission of renewal application is as per the provisions of the Insurance Act, 1938, no change is possible unless the said Act is amended.

On the compliance of regulation 26, it was clarified that a certificate duly certified by a Chartered Accountant may be prescribed and the same will be submitted annually along with the Audited Accounts of the broking company.

As regards the suggestion on sharing of brokerage by the Co-brokers, a provision will be incorporated in regulation 30 that the total brokerage paid to the co-brokers together shall not exceed the limits prescribed by the Authority from time to time.

It was clarified that a suitable provision may be incorporated under regulation 8(2)(iii) that in case of exit of trained person from a branch, the insurance broker may depute a person with requisite qualification for an ad-hoc period and will have to take necessary steps to appoint a qualified person within a reasonable time. In case, the insurance broker fails to do so, he will have to stop doing business from such branches.

After considerable deliberations on the issue of period of making a fresh application as envisaged in regulation 15(3), it was decided to reduce the period of three years to one year.

Chairman pointed out that as the validity of the license is only for three years, no insurance broker should be permitted to do business unless renewed and this should be taken care of in the Regulations.

The Authority approved the agenda with the above modifications and delegated the powers to the Chairman to approve the changes to be incorporated based on the suggestions made by the Members as also to approve any changes suggested by the Legal Department during the vetting of the regulations.

Item No.4 – IRDA(Web Aggregators) Regulations, 2013

Sr.JD (Intermediaries) made a presentation to the Members of the Authority on the background and salient features of the proposed new regulations on Web Aggregators which will replace the existing Guidelines on the subject .

The comments on the issues raised by Shri Subhodh Agarwal, President, ICAI and Part-time Member, IRDA were circulated to all the members.

On Mr. S.B. Mathur's, observation that the cap on remuneration for transfer of leads is not specified in the proposed regulations, it was clarified that the cost incurred on search engine by the web aggregator fluctuates dynamically depending upon the traffic and bids from the competitors. In addition there is an issue of transmission of fake / poor quality leads to the insurers. In view of this it was informed that the issue of remuneration is left to the web aggregators to negotiate with the insurers subject to the limits prescribed by the Authority from time to time under Sec.42-E of the Insurance Act 1938.

The Authority approved the above Regulations and authorized Chairman to make necessary changes as may be needed after vetting by the Legal Department.

Item 5: Insurance Advisory Committee (Meetings) (Second Amendment) Regulations, 2013

At the outset Shri Sriram Taranikanti, Executive Director, (Administration) gave a brief background of the proposed amendment in the IAC (Meetings) (Second Amendment) Regulations. He informed the members that the proposal for amending Regulation 3 (2) of the aforesaid regulations was placed in the IAC in its meeting on 30.07.2013 wherein it was proposed for reducing the number of IAC meetings from three meetings in a year to two and also inserting the word “calendar” before the word “year”. The aforesaid proposal was made keeping in view of the fact that the need for changes in Regulations is not arising as often as it was in the formative stage of the Authority. However, the IAC while agreeing for inserting the word “calendar” before the word “year”, did not accept the proposal of reduction in the number of meetings. In view of the aforesaid stand of the IAC, the draft amendment of the regulation no. 3 (2) by inserting the word “calendar” before the word “year” (without changing the number of meetings) is placed before the Authority.

Chairman, IRDA sought comments from the members on the proposed Regulations.
CA

Shri Subodh Kr. Agarwal, Member, opined that the number of meetings of IAC may be kept to a mandatory two in order to ensure compliance of regulations and avoidance of complications in case required meetings are not held. However the IAC may meet more often as may be needed as there is no such bar to have more than the prescribed number of meetings.

The members after deliberations, approved the amendment with above changes.

Item 6: IRDA (Meetings) (First Amendment) Regulations, 2013

Shri Sriram Taranikanti, Executive Director (Administration) placed the draft IRDA (Meetings) Regulations, 2013 and informed the members that the aforesaid

regulations were framed in the formative stage of the Authority when it was required to meet very frequently for emergent formulation of the various regulations and rules. However the requirement of holding six meetings of the Authority in a year is now not required in view of the reduced volume of the work and therefore it is proposed to reduce the number of Authority meetings from the present to six to four times in a year. ED (Administration) further informed the members that the proposed draft amendment of the regulations was submitted to last IAC meeting held on 30th July, 2013 and the IAC agreed to the proposed to amendment of the regulations.

The members after due deliberations approved the amendment as proposed in the agenda.

Item no. 7. Guidelines issue on utilisation of CSC

Noted.

(T. S. Vijayan)

Chairman