



MINUTES OF THE 82nd MEETING OF THE AUTHORITY

held on 10th March, 2014 at 11:30 AM

at Conference Hall, IRDA Office, Parishrama Bhavan, Basheerbagh, Hyderabad

Present:	Chairman	Shri T. S. Vijayan
	Whole-time Member	Shri R.K. Nair
	Whole-Time Member	Shri M. Ramaprasad
	Whole-time Member	Shri D.D. Singh
	Part-time Member	Shri S.B. Mathur
	Part-time Member	Shri Anup Wadhawan

Also present: Designated Officer

	Shri M. Pulla Rao, Sr. J.D. (General)
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Chairman extended a warm welcome to all those who were present. Leave of absence was granted to Prof. V.K. Gupta and Shri K. Raghu, Part-time Members, who could not attend the meeting because of prior commitments. He also placed on record the contribution of Shri S. Roy Chowdhury, Whole Time Member and Shri Subodh Kr. Agrawal, Part-time Member of the Authority, who have retired.

Thereafter, the agenda was taken up for discussion.

Item No. 1: Confirmation of Minutes of the 81st Meeting of the Authority held on 31st December, 2013

The minutes of 81st meeting were placed before the members for confirmation.

Shri Anup Wadhawan, Part-time member sought some clarifications on some of the agenda items as under:

Item No. 3 : Amendment of IRDA (Conditions of Service of Officers and Other Employees) Regulations, 2000 - Seniority: Shri Wadhawan observed that instead of determining the seniority of the employees from time to time as per proposed amendment, some basic principles should be laid down on the basis of which the seniority of the employees can be determined.

It was clarified that the Authority is following Government of India guidelines. But due to some infirmity in the Regulations, which stipulated determination of seniority from the date of confirmation, which was different for Direct Recruits and Promotees and in any case the

Hon'ble Supreme Court had held that Seniority should be computed from the date of appointment, the amendment was necessitated. The matter was discussed in the 21st IAC meeting and the members were of the opinion that the regulation was to be amended as per their proposed recommendation.

Item No. 4: Amendment to IRDA (Conditions of Service of Officers and Other Employees) Regulations, 2000 – Regarding reservation in promotion: Shri Wadhawan stated that a status note be submitted to the Government regarding the present position and the rules followed.

Item No. 12: Service Tax: Shri Wadhawan sought to know whether IRDA is liable to pay Service Tax.

It was clarified that the functions of IRDA are sovereign functions and RBI which also carries on sovereign functions is exempted from payment of Service Tax. The Authority referred the matter to Government for inclusion of IRDA in the Negative List. Even though the Authority has not received any notice in this regard from Service Tax Authorities, we paid the required tax as soon as it was clarified by the Ministry. Since the Service Tax paid amounts to write off by IRDA, Shri Wadhawan suggested that the Authority should explore the possibility of recovering the amount of service tax from the service receivers.

It was clarified that the cost of recovery will be very high looking into the nominal amounts collected by the Authority towards fee for agents, etc.,

Shri Wadhawan suggested that the Authority may apprise the Government through a detailed report.

With the above discussions, the minutes were confirmed.

Item No. 2: Action Taken Report on the 81st Meeting of the Authority held on 31st December, 2013

Noted subject to the observations made in Item No.1.

Item No. 3: Amendment to Regulation 2 (g) and Regulation 11 of IRDA (Registration of Indian Insurance Companies) Regulations, 2000.

Approved. The salient features of the proposed amendment to Regulations were elucidated. Whilst on this, one of the members sought to know whether RBI's comments in this regard were obtained. It was clarified that a letter has been addressed to the Deputy Governor, RBI and ED, RBI for their specific comments but no comments have been received so far.

With the above, the agenda item was approved with authorisation to Chairman to issue notification after considering the comments of RBI, if any.

Item No. 4: Budget for the financial year 2014:

Shri Wadhawan noted that an amount of Rs. 38 crore has been allotted to IIB and sought to know as to when the IIB was created and the purpose thereof and also the need for the said budget.

It was informed that IIB has been set up within IRDA to act as store house for all insurance data and utilise the same for providing analytical reports to companies. IIB is now registered as a society and fully supported by IRDA. The budget sanctioned last year could not be spent last year and the same is revised for the current year.

A detailed note giving brief back ground of IIB and the need for budget allocation is to be submitted and the budget allocation is to be kept in abeyance till the next Board meeting.

The Board after due deliberations passed the following resolution:

“RESOLVED THAT the Budget for the financial year 2014 as annexed to the Note for Agenda Item No. 4 be and hereby approved subject to the following conditions:

1. The Budget allocation for IIRM is subject to the resolution of the issues pending with the Government.
2. The Budget for IIB will not be operated till next Board Meeting except for administrative expenses.”

Item No. 6: Ratification of decision of the Chairman, IRDA on the matter of appointment of second surveyor under Section 64UM (3) of Insurance Act, 1938 – Representation dated 15.10.2011 of M/s Microtex India Limited.

Shri S.B. Mathur, Member, recused himself from the deliberations as he is an interested party. Shri Suresh Mathur, Sr. Joint Director briefly explained the facts of the case to the members. Member (Non-life) informed the members that the cause of loss as per the survey report, supported by the forensic investigation report was “Arson” committed by insured, and therefore the appointment of second surveyor by the Authority in terms of Section 64UM(3) of Insurance Act, 1938 was not considered necessary.

After examining all the facts and circumstances of the case and due deliberations, the Authority passed the following resolution:

“RESOLVED THAT the decision taken by Chairman, IRDA on the representation dated 15.10.2011 filed by M/s Microtex India Ltd., under Section 64UM (3) of Insurance Act, 1938,

and communicated to them by the Office of the Authority vide its letter dated 21.09.2012– **BE AND IS HEREBY RATIFIED”**

Item No. 7: Status of Progress on Delhi and Mumbai Offices of IRDA:

Noted

Item No. 8: Status Report of Building Matter related to IRDA building at Nanakramguda, Gachibowli, Hyderabad:

Noted

Item No. 9: Status of Public Disclosures by Life Insurers – For the Quarter ended December, 2013:

Noted

Table Item No. 1: Insurance Marketing Firm:

A presentation on the concept of insurance marketing firm was made by Shri Randip Singh Jagpal, Sr. Joint Director. Mr. S.B. Mathur, Part-Time Member pointed out that the draft regulations should address issues such as i) what would happen to the IMF if other regulatory/ statutory body takes action for breach/ violation in their area of operation; ii) what safeguards are built in their functioning so that the insurance policyholders are not adversely impacted by action by other regulatory / statutory bodies; iii) how will inter-regulatory coordination happen, etc. Member (F&I) while welcoming the concept was of the view that monitoring and supervision of the IMF could pose some challenges. He was also of the view that putting conditions that net-worth criteria should be maintained at all times may be onerous on the Authority and difficult to monitor. He suggested a review of this condition. Chairman, IRDA advised that the report of the Working Group should be obtained before releasing the exposure draft. He also advised that the concerns of the Members should be taken into account while framing the regulation.

With the above deliberations, the Authority passed the following resolution:

“RESOLVED THAT release of exposure draft on Licensing of Insurance Marketing Firm Regulations, inviting comments from all stakeholders - **be and hereby approved.”**

Table Item No. 2: Status of Public Disclosures by Non-Life Insurers for the Quarter Ended 31st December, 2013:

Noted

Table Item No. 3: Road Map for Banks to become Insurance Brokers

The tabled item on Banks as Brokers was placed for consideration of the Authority. The growth of banks as a distribution channel was highlighted and it was informed that approximately 43% of the private sector insurance business is routed through banks. The reach of banks in selling insurance products thereby leading to increased penetration was noted. However, the concern of the members around mis-selling was also acknowledged. Member (F & I) pointed out that insurance is a complex product and banks are not geared up to sell insurance products. They can effectively sell simple standard insurance policies. However, Member (Distribution) was of the view that Banks as corporate agents is now more than 10 years old. Time has come for banks to graduate to the next higher lever and move up the competition ladder to provide value to the customer.

Chairman was of the view that the banks should be responsible to the customer. Currently they are earning huge commissions with little responsibility. Sales are not happening in proper manner. It is being forced upon the bank customer without explaining the terms and conditions of the policy or undertaking need analysis of the customers. The banks promoted insurance company are having captive customers and are using this database to sell insurance policies.

It was felt by some members present that banks should not be forced to become brokers. Instead a system of incentives/ disincentives should be built so that the banks are encouraged to move towards the broker system. These incentives/ disincentives could include no/marginal commission for banks acting as agent of one insurance company, restricted number (2-3 products) of simple vanilla products that could be sold, lower premium for special products to be sold through the banks as against a bank that becomes a full broker with necessary financial and technical skills being allowed full brokerage. So if the banks wish to earn higher brokerage they can become full broker with all knowledge skills.

The Authority took note of the submissions.

(T.S. Vijayan)
CHAIRMAN