



MINUTES OF THE 86th MEETING OF THE AUTHORITY

held on 23rd December, 2014 at 10.30 AM

at the Office of the Authority, 3rd Floor, Parishrama Bhawan, 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 V.K. Gupta
	Part-time Member	Shri S.B. Mathur

Also present:

Designated Officer	Shri M. Pulla Rao, Sr. J.D. (General)
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Chairman extended a warm welcome to the Members present. Leave of absence was granted to Shri K. Raghu, President, ICAI, and Shri Anup Wadhawan, Joint Secretary, Ministry of Finance who could not attend the meeting because of prior commitments.

Thereafter, the agenda was taken up for discussion.

Item No. 1: Confirmation of Minutes of the 85th meeting of the Authority held on 25th September, 2014.

Confirmed.

Item No. 2: Action Taken Report on the 85th Meeting of the Authority held on 25th September, 2014.

Noted.

Item No. 3: Minutes of 71st to 84th Meetings of the Authority where action has been completed/or is under progress.

Noted.

Item No. 5: The IRDA (Third Party Administrators—Health Services) Regulations, 2001 – Proposed Amendments

Joint Director (Health) made a presentation regarding the need for amendments to the IRDA (Third Party Administrators – Health Services) Regulations, 2001 and sought in-principle approval for working on the draft amendments. The draft would be duly exposed to the various stakeholders before the amendments were finalised and placed before the IAC. The Authority granted approval for the same.

Item No. 6: Status of public disclosures by Non-Life Insurers for the half year ended September, 2014

Noted.

Item No. 8: Status note on the fulfilment of legal obligations of Accounts Department

Noted.

Item No. 9: General Insurance - Claims Reserving Draft Guidelines

HOD (Actuarial) briefed the members of the Authority that per the mandate given, the Actuarial Department had drafted comprehensive Claims Reserving Regulation for the non-life insurance companies and circulated to the industry including Institute of Actuaries of India. After considering the views received, the draft was placed before the IAC and subsequently to the Authority in February 2013. The Authority advised Actuarial Department to refer the draft to the Standing Committee on Accounting Issues to ensure consistency, if any, with regard to the terms used in the draft and in the accounting matters.

HOD (Actuarial) informed to the Authority that the Standing Committee on Accounting Issues had not responded so far but recently a note was moved by Member (Non-Life) indicating that the known liabilities, i.e. outstanding liabilities and case estimates have to be addressed by the accountants and that there was no need to issue a specific regulation on this due to sufficient reserves. Based on this view,

Actuarial Department has dropped outstanding liabilities and case estimates from the draft regulations and has submitted for approval the revised regulations to be issued as a guideline immediately.

Member (Non-Life) expressed concern about the Premium Deficiency Reserve (PDR) requirements by product wise from 2016. In this regard, Chairman suggested that the reference to 2016 in the draft would be modified to reflect that this requirement could be imposed anytime in future by the Authority. In this context, Shri S.B.Mathur advised that where the product represented more than 5% of the business the requirement of product wise PDR should be implemented immediately. The Authority approved the draft guidelines with the above modifications.

Item No. 10: Budget support to IIB (2014-15)

The Members perused the agenda placed before them and it was noted that the issue pertaining to IIB had not yet been resolved by the Government side. In this context, it was also informed that the matter was not independently pursued with the Ministry of Law and Justice and the interface was with the DFS. However, the Authority had clarified to the DFS its view on various issues sought by them.

It was informed to the Authority that the works of IIB have been severely impacted by non-release of funds particularly those pertaining to capital expenditure whereas the demand from the Industry for Analytics had increased. Under these circumstances, the Authority was apprised of the need for continued support from the IRDA for the functioning of IIB and urgent replacements in the areas of Motor Insurance, Property and Health as the officials who were on deputation from IRDA were pulled back due to increased workload within the Authority. It was also informed that IIB was already earning some revenue for its Analytics work. More importantly, some of the analytic support initiated by IIB had helped the Industry and the other Regulatory agencies. It was also informed that the overall benefit to the Industry/Government would be much more than the support that was being provided to IIB.

It was also informed to the Authority that the current IT Infrastructure & platforms of IIB is not sufficient for meeting the growing demand of analytics and performance of analytics. IIB which was in dire need had suggested an Opex Model in the form of

Managed Services for its IT Infrastructure/Applications requirement and it was estimated that this would cost around Rs. 90 lacs per annum of which Rs. 30 lacs would be in this year. Nevertheless there would be some requirement of Capital Expenditure that needs to be provided.

The Members noted with concern that many of IIB's functions were already affected for want of provision of capital budget for IIB to perform its activities. Besides, there were number of revenue related activities such as payment of Salaries & Allowances, payment of Rent, payment to vendors, AMC charges, Office expenses etc. It noted the role and need of IIB in the context of the Insurance Industry/Sector.

In the above context, Members taking into consideration the overall developments, decided that the revenue expenditure may continue to be provided. However, Capital Expenditure to the extent of maximum of Rs. 1 crore may be released to IIB on a case to case basis.

It was also decided that the matter may also be appropriately pursued with DFS in order to resolve the matter at an early date.

Item No. 11: Support for construction of IIRM building and Sponsorship of IRDA Chairs at IIRM in the Areas of Economics and Finance and support from IRDA

Authority was informed about the deficiency of insurance professionals to meet the needs of the industry. Hence, there was a dire need of a "State of the Art" Institute for Insurance professionals which offers Insurance courses with a proper blend of Technology, Management, Marketing, Finance and Behavioural Science having a residential campus with a pan India presence to attract best talent for the Industry. Such Institutes should show the way ahead in establishing similar institutions in the market. It was planned that IIRM should develop into a 'Centre of Excellence'. However, the support from IRDA for construction of building was withheld following some issues raised by DFS.

The Authority felt that IIRM as a 'Centre of Excellence' for Insurance professionals would require good Infrastructure with own campus and strong faculty. In particular, the need for a Residential Campus was strongly felt.

The Authority was also informed that in order to suitably position IIRM in the Insurance education arena and attract the best talent both in terms of faculty as well as students, IIRM has requested IRDA to consider sponsoring two Chairs at IIRM one for Economics and other for Finance.

Authority, while agreeing to the necessity of the Campus and the requirement of such faculty, advised to pursue the matter suitably with the DFS for early resolution. It also suggested to simultaneously approach Industry and Councils for such sponsorship.

Item No. 13: Status of public disclosures by life insurers for the half year ended September, 2014.

Noted.

Item No. 14: Status note on implementation of FSLRC-NLR.

Executive Director briefed the members that the Committee report on identifying gaps in the extant regulation vis-a-vis the NLRs was ready and the recommendations were proposed to be taken forward with the help of select HoDs. He explained that there were two alternatives, viz -

- i) Amending the extant regulations so as to plug the gaps to fit in each NLR as recommended by the Committee;
- ii) Have an overarching regulation wherever necessary for the 12 NLRs and draw reference to them wherever applicable in the extant thirty odd regulations.

ED explained that the second alternative was found to be convenient by the HoDs and they have undertaken to draft specific regulations pertaining to their respective areas. He informed that the draft regulations are expected to be formulated by 1st fortnight of January 2015 and the entire implementation to be done by the end of March 31, 2015.

The Members asked whether specific recommendations of the Committee could be informed to the Authority. On this, JD (Legal) explained how the three sub committees (of the main committee) constituted to look into specific NLRs have structured their reports uniformly while giving their recommendations. He made a brief presentation of one sub-committee report.

While concurring with the plan of action to be taken by the departments for framing new regulations and amending extant regulations, the Authority advised that the entire report be placed before the Authority in the next meeting.

Item No. 16: Status Report on Construction of Building Project.

Noted.

Item No. 17: Status of Insurance Repository system.

Noted.

Table Item: Launch of the Insurance Awareness Campaign in the State of Tripura

Members appreciated the efforts of the Department in the field of promoting consumer awareness in the country. However, one of the members enquired about the infrastructure and resources to cope with any further demand from other status.

Shri Lalit Kumar, Sr. JD stated that they would work out a strategy to adopt States for focussed insurance awareness campaign based on parameters such as literacy, economic development, insurance penetration and density, etc.

The strategy would be put up for consideration of competent authority.

Any other matter with the permission of the Chair:

- (i) With the permission of the Chair, Sr. JD (General) informed that in the context of impending passage of the Insurance Amendment Bill, 2014, there might be a need for framing about 17 new regulations besides amendment to about 35 existing regulations. The Authority would be approached at a short notice seeking approvals.
- (ii) Sr. JD (General) also apprised the Members regarding the following important developments in the Human Resources area:
 - (a) As the Authority was severely affected by the interim orders in four court matters and the writ petitions were not being disposed of for about

2 years, writ appeals were filed seeking relief in the interim orders. The Divisions Bench of Hon'ble High Court for the State of Telangana and the State of Andhra Pradesh, on 22nd December, 2014 granted the following reliefs:

- (i) allowed the Authority to proceed to take steps to fill the posts through direct recruitment,
 - (ii) to declare the results in the written test conducted for the promotion to various posts;
 - (iii) allowed the deputation period upto three years.
- (iii) An instance of lodgement of a FIR filed by the Chairman of Excellent Brokers under Section 3 (1) (ix) of SC & ST (Prevention of Atrocities) Act, 1989 wherein 10 officials of the Authority were impleaded was apprised to the Authority. The office has taken steps to file criminal case in the Hon'ble High Court seeking quashing of FIR as the charges of harassment were false/frivolous.

(T. S. Vijayan)
Chairman