

MINUTES OF THE 4th MEETING OF PROCUREMENT COMMITTEE OF IRDA HELD ON

10th May, 2011 IN IRDA, HYDERABAD

Present :

- 1. Shri. A.Krishna Rao (Chairman)**
- 2. Shri R. K. Sharma (CAO) - Convener**
- 3. Shri. Randip Singh Jagpal (JD – Non-Life) -Member**
- 4. Ms. Mamta Suri (JD – F& A) - Member**
- 5. Shri. Mahesh Agarwal (Sr. AD) - Secretary**

It is noted that all the members of the Committee are present. Minutes of last meeting were read and approved with consensus. The items on the agenda are taken up for consideration.

Item No.1 –ETASS

Procurement Committee in its meeting held on 28th February, 2011 held that for ETASS project a pre-bid conference of the consultants be conducted in order to remove any doubts the consultants may have and evolve uniform technical specifications based on which financial bids could be given.

Mr. Randip Singh (Incharge of the project) gave a brief description about the ETASS project.

He informed that ETASS involves development of Electronic platform whereby the treaty, facultative as well as coinsurance placements shall be tracked by the Regulator as well as companies themselves. The project requires developing infrastructure and processes for

seamless integration and automation of business processes amongst Insurers/ reinsurers/ brokers covering the proposal, claims and accounts & settlement process including setting up of payment gateways for both coinsurance and reinsurance. The project would provide functionality to submit proposals, issue endorsement, settle claims, submit statement of accounts & settlement advices, send messages and send statements to Insurers/ reinsurers/ brokers on a periodic basis.

He further informed that during his analysis as well as during inspection by IRDA team relating to Reinsurer it was observed that there are huge balances on account of re-insurance and co-insurance which are unreconciled. These unreconciled balances were of great concern to the Insurance industry as a whole. Efforts were required to develop a system wherein all such balances would be reconciled on regular basis. A centralized system was the need of the hour using "Accord" which is the International Standard on messaging on Insurance contracts. It helps in Electronic Exchange of Insurance data. He mentioned that the entities to be involved in the proposed system would include Co-insurer, Re-insure & Brokers.

Such systems are already being used in South Africa Insurance Market where it is mandated which is developed by IBM and results are quite encouraging. In other jurisdiction like Malaysia development of such system have been tried generally for catastrophe Insurance.

Earlier, GIC had initiated some similar project called "E-Thru project" which was limited to their business wherein their customers like Re-insurer and Brokers could interact with GIC through electronic platform.

Now, IRDA has taken industry initiative to involve all stakeholder in ETASS project. IRDA has already issued ETASS guidelines which covers Insurers, Reinsurer & Brokers. This system would have seamless integration and quick settlement of outstanding balances. It shall be owned by Insurance industry themselves. In the draft guidelines the service company shall be owned by GIC (51%), Insurers (26%) and Brokers (remaining 23%).

IRDA has also initiated the process of developing POC (proof of concept) for this project. The POC will show details of Realtime Platform, its bottlenecks. For this IRDA had invited 5 entities which include BCG, KPMG, Deloitte, IBM & NSEIT. Pre-bid conference was called and clarifications were issued to bidders on individual basis. Different letters were issued to bidders giving clarification to their respective points.

It was further informed that after the successful development of POC, full scale Tender shall be called for developing the actual system, wherein all the outstanding issues shall be addressed.

Regarding POC it was informed that the bidder would be required to submit reports depicting 3-4 different parameters. For this they shall involve, 2 Reinsurer, 1 Life Insurer, 1 Co-insurer, 2 brokers and 2 General Insurer. Regarding data, they shall take some old transaction data, develop rules in consultation with co-insurer and re-insurer, frame guidelines. There shall be user login and passwords for each entity involved in the system. However, in POC Actual Accounts will not be created. System will also allocate premium to the co-insurer e.g. Rs. 100 premium shall be allocated as Rs.25 – Rs. 25- Rs. 25- Rs. 25 to different co-insurers. System will also handle claims reported and information to be shared with co-insurer. During the claim settlement process they shall involve co-insurer and place claims, deal with policy standards. The POC shall also take care of any endorsements in the policy conditions with additional premium.

Regarding dispute over settlement of claims or sharing of claims, 3 days period shall be allowed. After acceptance of claims, money shall also follow through the system.

The system shall manage the process as follows:

Payment of Premium (through payment gateway) → Receipt of premium by Reinsurer → Execution of contracts.

The system shall take care of all business rules and standards. Earlier TAC (now IIB) already have details of such business rules and standards dictionary pertaining to health, motor & other Insurance contracts. Regarding Re-insurance GIC is already doing this type of activity and they shall support IRDA in this.

Regarding frequent claims it was informed that some rules shall be framed e.g 3 days for settling the claims. Also, a body of experts shall be constituted to decide and give intervention judgement. This new system shall not upset the current running system. A cut of line shall be drawn for the data (existing balance) before the new system and data after the new system. For a limited period of time both the system shall run parallel and mandate would be given for effective date of new system.

During discussion, it was further informed that such initiatives in international arena in earlier period were not successful mainly due to very high bank charges. Earlier Swiss Re, Munich Re had taken such initiative wherein Swift channel were used to remit premium and claims. However, due to high bank charges such systems did not succeed. It was further informed that in Lloyd's market such system is being used successfully, wherein one unique identification is

given to each risk and same identification continues with all the parties involved. The system of Lyords has been developed by Indian IT company named "Exchanging India". However the said company had not participated in the present bid as they did not wished to reveal their proprietary documents and probably they shall bid in the final tender for the project.

The Committee was informed that IRDA issued a limited enquiry to five firms out of which the offers received from four consultants viz., i) KPMG; ii) Deloitte; iii) NSE-IT; iv) IBM were found satisfactory. Based on the quotes submitted by four consultants, the user department held technical discussions with them in order to create a common understanding on the scope of work. Based on this common understanding, the consultants resubmitted their technical bids. After scrutinizing the technical bids the consultants were asked to give financial quotations for the revised scope of work.

The Committee was informed that after reviewing the financial bids submitted by the bidders following was observed : -

L1 - 82.20 Lacs- Deloitte

L2 - 85 Lacs - NSEIT

L3- 2.19 crores - IBM

L4 - 1.95 crores - KPMG

BCG did not participate in the bidding process.

In above quotations by the bidders it was also mentioned that travel expenses were exclusive of above price. However, on the basis of information supplied by Deloitte, their travel costs are estimated at approximately Rs.3 lacs, making their financial bid equal to Rs. 85.20 lacs. NSEIT


had informed that their quotation included travel expenses and they would absorb all the travelling expenses in relation to this project. As a result of this, NSEIT would become L1.


Regarding, the background of NSEIT it was mentioned that they were already in the business of developing and maintained NSE (National Stock Exchange of India), Tea board, Reliance Spot Exchange. Further, it was informed that they have also successfully developed and maintained IRDA's own agent's licensing portal which is working fine.

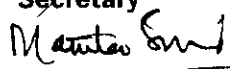
Because of travel cost factor and considering the varied experience of NSEIT in exchange related matters and their association with IRDA, it was decided to award the contract for development of POC for ETASS to NSEIT unanimously by the Committee.

Vote of thanks

The meeting was concluded with a vote of thanks to the Chairman.


CAO
Convener


JB (NL)
Member

14/04/2015/11
Secretary

JD (F & A)
Member


Chairman