



MINUTES OF THE 105th MEETING OF THE AUTHORITY

held on 21st June, 2019 at 11.00 AM at Hyderabad

Present:

Chairman	Dr. Subhash C. Khuntia
Whole-time Member	Ms. Pournima Gupte
Whole-time Member	Shri Pravin Kutumbe
Whole-time Member	Shri Sujay Banarji
Part-time Member	Smt. Sushama Nath
Part-time Member	CA Prafulla P. Chhajed

Leave of absence:

Part-time Member	Shri Debasish Panda
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Also present:

Designated Officer	Shri M. Pulla Rao, ED (Gen)
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4. Quarterly statement of foreign tours undertaken by Chairman and Members for the quarter ended March, 2019.

The statement was noted by the Authority.

The Authority was also informed about the selection of the Chairman, IRDAI as the Chairman of the Budget Committee of the IAIS.

5. Quarterly Statement of regulatory actions taken by Nodal Departments for the period from 1st January, 2019 to 31st March, 2019

It was summarised that during the quarter ending 31st March, 2019, for violation / non-compliance of provisions of Act/Regulations/guidelines, etc. Regulatory actions taken include 1 direction, 1 caution, 33 advisories, 3 penalties involving an aggregate sum of Rs. 10 lakh and cancellation of Certificate of Registration of a TPA. The agenda item was noted by the Authority.

6. List of Circulars/Guidelines issued subsequent to 20th February, 2019 up to 3rd June, 2019

The circulars / guidelines, etc. issued from 21st February, 2019 till 3rd June, 2019 were noted by the Authority.

14. Status report on performance of insurance entities in the GIFT City

A presentation was made by ED (Re-insurance) on the performance of insurance entities in the GIFT City. He mentioned about the various legal provisions on setting up of insurance entities in the GIFT City at Gandhinagar, issuance of notification dated 27th March, 2015 of IRDAI (Regulation of Insurance Business in SEZ) Rules, 2015 by the Central Government, and issuance of guidelines by IRDAI in 2015, 2017 and 2019 giving eligibility for registration in IFSC-SEZ. It was informed that as on date, 3 Indian Re-insurers and 12 Insurance Brokers were operating out of GIFT City. The foreign re-insurance premium aggregated to Rs. 147.45 crore during the last 3 years ending 2018-19, the business booked through brokers was more than 95%, and the incurred claims ratio ranged between 62.4% and 75.80% in the last 3 years.

The Chairman advised that the performance figures should also cover country-wise break-up of business carried out in the GIFT City. With this, the Authority noted the status of the performance of insurance entities in the GIFT City.

20. Status of Public Disclosures by Non Life & Life Insurers for the quarter ended December 2018

The status of hosting of all the forms including Revenue Account, Profit and Loss Account, Balance Sheet, and Schedules to accounts and other forms on their websites by all Life and Non Life insurers for the quarter ended December 2018 was noted by the Authority.

22. Draft IRDAI (Regulatory Sandbox) Regulations, 2019

In a detailed presentation, it was submitted that the report of the 'Committee on Regulatory Sandbox in insurance sector in India' recommended creation of a Regulatory Sandbox with an objective to foster growth by carving out a safe and conducive environment to experiment and to facilitate innovations in insurance sector

including insurance products. Using the sandbox approach, consequences of failure, if any, could be contained. It was also informed that the Committee had released its draft report for public comments on 5th February, 2019 and factored 23 comments received from various stakeholders. Subsequently, the draft of the regulations was also exposed for public comments on 18th May, 2019. In response to this, 35 stakeholders submitted their comments which were also examined in detail. The draft regulations submitted now have incorporated inclusion of educational institutions and research bodies to participate in the sandbox process as per recommendations of the IAC in its meeting held on 6th June, 2019. It was further submitted that the creation of regulatory sandbox environment is aimed at striking a balance between orderly development of insurance sector, protection of interests of policyholders and at the same time facilitating innovation and if deemed necessary, to relax such provisions of any existing Regulations framed by the Authority.

Discussion ensued on capping of number of applications and premium amount to limit impact of failure; advantage of cohort approach as all applications received can be processed together and facilitates presentations by applicants; keeping investment area outside the sandbox process due to potential adverse effects on the interests of policyholders. Thereafter, the Authority approved the IRDAI (Regulatory Sandbox) Regulations, 2019.

24. Minor changes in IRDAI (Unit Linked Insurance Products) Regulation, 2019 and IRDAI (Non-Linked Insurance Products) Regulations, 2019

It was submitted that after approval of IRDAI (Unit Linked Insurance Products) Regulation, 2019 and IRDAI (Non-Linked Insurance Products) Regulations, 2019 by the Authority in its 104th meeting held on 28th March, 2019, it was noticed that certain minor changes are required to be carried out in the approved regulations to remove grammatical mistakes, typographical errors, wrong mention of provisions and lack of clarity in some instances.

The Authority approved the changes proposed to be made in IRDAI (Unit Linked Insurance Products) Regulation, 2019 and IRDAI (Non-Linked Insurance Product) Regulations, 2019.

25. IRDAI (Insurance Services by Common Public Service Centres) Regulations, 2019

It was submitted that after approval of IRDAI (Insurance Services by Common Public Service Centres) Regulations, 2019 by the Authority in its 102nd meeting held on 28th September, 2018, it was noticed that a few modifications were necessary for better clarity and consistency. Accordingly, the proposed modifications along with rationale as given in the table were submitted for approval of the Authority.

The Authority reviewed the modifications proposed and approved the modification as per the agenda note on IRDAI (Insurance Services by Common Public Service Centres) Regulations, 2019.

26. IRDAI (Re-insurance Advisory Committee) Regulations, 2001

After taking ‘in principle’ approval of the Authority in its 103rd meeting held on 21st December, 2018 for reviewing and modifying the regulations suitably, the draft regulations incorporating internal suggestions were issued for public comments. The important changes proposed are: (i) to add the objective clause for greater clarity, (ii) to nominate a Chairman for the full term of the Committee instead of deciding in each meeting, (iii) procedure for conducting the meeting in case of absence of Chairman for any reason, (iv) procedure to be followed to adjourn the meeting and (v) the quantum of allowance payable to Members.

With regard to filling up of vacancies in the Committee by nomination of the Authority, one of the Members observed that the Chairperson of the Authority may be authorised to fill the vacancies in the Committee instead of keeping the power with the Authority. With this modification, the Authority approved the agenda ‘IRDAI (Re-insurance Advisory Committee) Regulations, 2019’.

27. IRDAI (Registration of Insurance Marketing Firm) (Amendment) Regulations, 2019

It was submitted that the Authority, in its 102nd meeting held on 28th September, 2018, granted approval for review of the IRDAI (Registration of Insurance Marketing Firm) (Amendment) Regulations, 2019. After due internal and external consultation process,

the draft regulations were placed before the Insurance Advisory Committee on 6th June, 2019 which recommended to the Authority for issue of regulations.

The key changes proposed in the Regulations are: (i) reduction of net-worth requirement of an IMF to Rs. 5 Lakh if opting for an aspirational district, (ii) expansion of area of operation of an IMF to maximum 3 districts within a state, (iii) expansion of the basket of products to be solicited, (iv) increase in threshold level from 10% to 25% for seeking approval of the Authority in case of change in shareholding, (v) inclusion of various professional qualifications to be eligible for Principal Officer, (vi) criteria of 'domicile' changed to 'resident' for Insurance Sales Persons.

One of the Members felt that the restriction on districts could be a dampener for growth. The Chairman stated about the objective of having IMF is to improve insurance penetration in unserved and needy areas and to cover remote areas. The Chairman suggested that at least two staff members from each IMF may be trained as part of skill development. With these deliberations, the Authority approved IRDAI (Registration of Insurance Marketing Firm) (Amendment) Regulations, 2019.

28. Reconstitution of Insurance Advisory Committee

It was submitted that the term of office of members of the Insurance Advisory Committee which was last reconstituted with 25 members (excluding the Chairman and Members of the Authority) on 25th May, 2017 vide notifications F. No. IRDA/IAC/2/139/2017 dated 21st March, 2017 and F. No. IRDAI/IAC/10/147/2017 dated 5th December, 2017 was to cease on 24th May, 2019. As some more time was needed to identify suitable new members, with the approval of the Authority on 28th March, 2019, the term of office of 21 members of the IAC was extended by two months from 25th May, 2019 to 24th July, 2019. In order to reconstitute the IAC w.e.f. 25th July, 2019, the names of members as given in the agenda were submitted to the Authority for approval.

The Authority considered the names proposed in the agenda and approved reconstitution of the IAC w.e.f. from 25th July, 2019.

29. Notification of Motor Third Party Insurance rates effective from 16th June, 2019 for the financial year 2019-20

It was submitted that the Authority has been notifying the premium rates applicable to Motor Third Party Liability Insurance every year starting from 2011. The premium rates notified for the year 2018-19 were extended beyond 31st March, 2019 until further notice. On completion of stakeholder consultation and on careful examination of comments received, the premium rates applicable for the financial year 2019-20 were notified on 04th June, 2019 to take effect from 16th June, 2019.

The Authority considered the agenda and ratified the notification of Motor Third Party Insurance rates effective from 16th June, 2019 for the financial year 2019-20.

The meeting ended with a vote of thanks to all members.

CHAIRMAN