



MINUTES OF THE 60th MEETING OF THE AUTHORITY

held on October 13, 2009 at 11.30 a.m.

in the Office of the IRDA at 3rd Floor, Parishram Bhavan, Basheer Bagh, Hyderabad.

Present:	Chairman	Shri J Hari Narayan
	Member	Shri C. R. Muralidharan
	Member	Shri K K Srinivasan
	Member	Shri G Prabhakara
	Member	Dr. R Kannan
	Part-time Member	Shri Vijay Mahajan
	Invitee	Dr. D V S Sastry
Also present:	Executive Director	Shri Prabodh Chander
	Executive Director	Shri K Subrahmanyam
	Executive Director	Shri A Giridhar

Chairman extended a warm welcome to all those who were present. Leave of absence was granted Smt Ela R Bhatt, Founder, SEWA, Shri Uttam Prakash Agarwal, President, ICAI could not attend because of prior commitments.

It was noted that Ms. L M Vas, Addl Secretary, Department of Economic Affairs Ministry of Finance, was nominated by Government of India in place of Shri Rahul Khullar, Secretary (Disinvestment), Ministry of Finance. The Authority resolved to place on record appreciation of the services of Shri Khullar.

Confirmation of Minutes of the 59th Meeting of the Authority held on July 8, 2009

Authority approved the minutes of its 59th meeting held on July 8, 2009.

Resolution

Authority resolves to confirm the Minutes of the 59th meeting held on July 8, 2009.

Action Taken Report on the Minutes of the 59th Meeting of the Authority held on July 8, 2009.

Noted.

R2 Application of SBI General Insurance Company Ltd

The R2 application of SBI General Insurance Company Limited was taken up for consideration as proposed by Member (F&I). The compliance of the company with the actions to be taken by the State Bank of India for amending the shareholder's agreement and other issues discussed at the time of consideration of their R1 application were explained.

The company's detailed comments in the R2 application on how they propose to meet the regulatory requirements on organizational set-up, underwriting arrangements, marketing and reinsurance arrangements as well as the operational areas such as internal control, management etc were explained.

It was pointed out that the company would become the highest capitalized general insurance company with an initial capital of Rs 653 crores. State Bank of India the promoter of the insurance company is a financially strong entity with significant market share and extensive branch network. The application met all the requirements of R2. The foreign joint venture promoter is also a strong financial entity and hence the company was eligible for issue of certificate of registration on completion of other statutory requirements.

Chairman, IRDA observed that since the reinsurance regulations stipulate that all insurers should assist in maintaining the retention of business within India as close to the level achieved for the year 1999-2000, the applicant company may be advised to take steps to increase their retentions from the proposed 75% to levels of 1999-2000 over a certain time frame.

Based on further discussions on the distribution arrangements through the branches of State Bank of India & its associates, it was agreed that exemption may be granted to State Bank of India from the IRDA circular dated 2nd September, 2009 which prohibits an insurer from annulling the agreement for distribution of products of an insurance company to be promoted by the concerned banks until the existing insurer gives a No Objection Certificate. However the said exemption would not be available

to other subsidiaries of State Bank of India. They could make necessary changes only in accordance with the Authority's circular dated 2.9.2009.

The proposal on the R2 application of SBI General Insurance Company Limited was approved, subject to the above.

Resolution

IRDA resolves to accord approval of R2 application of SBI General Insurance Company Limited and issue certificate of registration (Form R3) on compliance with various other requirements/ formalities in accordance with the provisions of Insurance Act, 1938 and IRDA's (Registration of Indian insurance companies) Regulations, 2000 and subject to statutory and other requirements as well as certain requirements to be specified at the time of issue of R3.

R2 application of Baroda L&G Life Insurance Company Limited

The R2 application of Baroda L&G Life Insurance Company Limited was taken up for consideration as proposed by Member (F&I). The compliance of the company with the actions to be taken by the two Indian promoter banks for amending the shareholder's agreement and other issues discussed at the time of consideration of their R1 application were explained.

Based on the company's detailed comments in the R2 application on how they propose to meet the regulatory requirements on organizational set-up, underwriting arrangements, marketing and reinsurance arrangements as well as the operational areas such as internal control, management etc were explained.

The Authority was satisfied that both public sector banks promoters of the insurance company are two financially strong entities with adequate bank network and the application met all the requirements of R2. The foreign joint venture promoter is also a strong financial entity and hence the company was eligible for issue of certificate of registration on completion of other statutory requirements.

After discussions, the proposal on the R2 application of Baroda L&G Life Insurance Company Limited was approved.

Resolution

IRDA resolves to accord approval of R2 application of Baroda L&G Life Insurance Company Limited and issue certificate of registration (Form R3) on compliance with various other requirements/ formalities in accordance with the provisions of Insurance Act, 1938 and IRDA's (Registration of Indian Insurance Companies) Regulations, 2000 and subject to statutory and other requirements.

R1 Application of Indiabulls Life Insurance Company

The meeting recalled that the R1 application of Indiabulls Life Insurance Company Limited was first considered in the Authority's meeting held on 6th February, 2009. However based on the discussions in the meeting the Authority resolved to further undertake due diligence of the promoter companies with particular reference to fit & proper status, adequacy of financial reserves to meet capital commitments and certain business aspects to meet rural and social sector obligations.

2. It was explained that the above issues were taken with the company and the concerns were addressed by the applicant company by making the following changes:

- a. The Indiabulls Services Limited (IBSL) which was planning to hold 24.5% stake in the joint venture against which SEBI had initiated regulatory actions has completely withdrawn from the promotion of applicant company.
- b. Indiabulls Financial Services Limited (IBFSL) has decided to be the sole Indian promoter of Indiabulls Life Insurance Co. Ltd., by increasing its share from 49.5% to 74%.
- c. The company has obtained necessary clearances from the Reserve Bank of India in this regard (in the normal course RBI permits not more than 50% holdings for NBFCs in insurance JVs).

- d. IBFSL has raised Rs 960 crs through qualified institutional placements for funding, among others, its proposed life insurance venture, a mutual fund and a multi-commodities exchange company.
- e. The process to be adopted for distribution network for reaching rural areas would be in compliance with the regulations.

3. The meeting noted the above changes to address the various concerns. Further the clearance given by RBI in allowing IBFSL to participate with 74% stake in the venture gave a lot of comfort. In the context of the implication of our recent circular on the corporate agency arrangements it was agreed that the promoter company may be exempted if it was already functioning as a corporate agent. However the Authority agreed to impose additional and specific conditions to safeguard the interests of the future policyholders of the insurance venture as detailed below:

- a. In order to ring fence the investment in the interests of policy holders, the proposed life insurance company shall be entirely prohibited from investing in any of the Indiabulls group companies.
- b. In the background of the company's corporate lending activities, an additional safeguard to ring fence the investments of proposed life insurance company is to limit its investments in the companies to which the domestic promoter i.e. IBFSL has extended significant loans (say equal to or more than 25% of the total borrowings of the company concerned). In these companies the insurer shall not be permitted to invest by way of debt/ loans and any other permitted investments more than 5% of the paid-up capital, free reserves, debentures/ bonds of the investee company.
- c. The above restrictions may be in place initially for a period of 5 years.
- d. The Authority shall monitor the related party transactions closely and hence the applicant company shall report intra group transactions on a quarterly basis in the format appended to the IRDA's Accounts Regulations.
- e. In order to ensure continues flow of funds into the life insurance venture, the company to be advised to devise an arrangement to have separate escrow funds for the life insurance venture.
- f. In order to further insulate the life insurance venture, there shall be no commonality of directors between the IBFSL and the applicant company.

4. Member (Actuary) advised that a mechanism should be put in place in the Authority to monitor the above conditionalities put on the applicant company. Accordingly it was decided that the conditions pertaining to investments by the applicant company would be monitored by the investment department through a suitable return. The monitoring of related party transactions and commonality of directors suitable also be in place.

After discussions, the Authority approved the acceptance of R1 application of Indiabulls Life Insurance Company Limited, subject to the various conditions specified above.

Resolution

IRDA resolves to accord approval of R1 application of Indiabulls Life Insurance Company Limited subject to the conditions indicated in the memorandum.

Proposed Comprehensive Social Insurance Scheme for BPL Families

Resolution

The board decided to discuss the proposed scheme in the next meeting.

Any other Item with the permission of Chair

Proposal for Amendment to Rule 9 of IRDA (Salary and allowances payable to, and other terms and conditions of services of Chairperson and Members) Rules, 2000

It was decided to write to Government of India (GOI) with respect to the Amendment to the Rule 9 of IRDA (Salary and Allowances payable to and other terms and conditions of service of Chairperson and Members) Rules, 2000 in order to incorporate a Medical Scheme for retired members of the Authority on similar lines of the Medical Scheme for the retired Whole Time Directors of LIC of India, which was approved recently by GOI.

Any other Item with the permission of Chair

a) The Board also deferred a presentation on investment guidelines for ULIPs to the next meeting.

b) A brief presentation was made on periodical disclosure by insurance companies. The Board was appraised that the consultation paper was circulated through web & the two councils to provide necessary feedback so that guidelines will be formulated after receiving the comments from the two insurance councils, industry & public.

Approved.

There was no other item for discussion and the meeting concluded with vote of thanks to the Chairman.

Sd/-

(J Hari Narayan)
Chairman