

IRDAI to Review Corp Governance Issues of Insurers

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Kolkata: The insurance regulator is planning to streamline the corporate governance issues of various insurance companies to protect the interest of policyholders.

The Insurance Regulatory & Development Authority of India (IRDAI) has proposed that companies should strengthen the structure of their board and expand it so that there's no conflict of interest between different roles such as investment and audit committee. It has taken a more consultative approach in framing regulations for the sector and included these suggestions in the investment regulation draft that was circulated among members last week for comments.

"The proposals aim to improve the overall corporate governance process," Mayank Bathwal, deputy chief executive officer at Birla Sun Life Insurance Company, told ET.

Both life and general insurance companies may need to recast their committee structures with the regulator nudging them to find a way to avoid engaging common members in investment and audit committees. "The board shall review the investment policy and its implementation on a half-yearly

basis or at such short intervals... keeping in mind protection of policyholders' interest," IRDAI said in a draft.

While audit committees, which are compulsorily headed by a chartered accountant, have the edge, the regulator is planning to mandate insurers to include the company's chief risk officer in the investment committee to improve compliance and tackle risks. "Mandatory inclusion of chief risk officers in investment committees would help bring in a more balanced and holistic view on investment," said Reliance Life Insurance Company Chief Executive Officer Anup Rau.

The Life Insurance Council, an industry association, will meet its members this week to discuss the proposals. The last date of sending comments is July 10.

The IRDAI has also suggested barring companies from making fixed deposits in promoter banks, and proposed 25% of unit-linked insurance funds be invested in government securities. The regulator said the insurer should audit all investment transactions covering both shareholders' and policyholders' funds through internal or concurrent auditor. "The decisions taken by the investment committee shall be recorded and be open to inspection by the officers of the authority," it said.