



IRDAI(CORPORATE GOVERNANCE FOR INSURERS) REGULATIONS, 2024

Notification No.: F. No. IRDAI/Reg/7/201/2024

Date: 20th March 2024

Dear Friends,

IRDAI on recommendations of Regulations Review Committee and after considering suggestions received from various stakeholders has notified IRDAI(Corporate Governance for Insurers) Regulations, 2024 on 20th March 2024.

“Corporate Governance” is a process through which corporate entities are controlled and managed. It is a principle-based process ,which fixes accountability and responsibilities on ,who are running a business. It is necessary to follow Corporate Governance practices by each player in a particular industry or sector to comprehensively development of that sector.

It identifies who has power and accountability, and who makes decisions. It is, in essence, a toolkit that enables management and the board to deal more effectively with the challenges of running a company. Corporate governance ensures that businesses have appropriate decision-making processes and controls in place so that the interests of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced.

Governance at a corporate level includes the processes through which a company’s objectives are set and pursued in the context of the social, regulatory and market environment. It is concerned with practices and procedures for trying to make sure that a company is run in such a way that it achieves its objectives, while ensuring that stakeholders can have confidence that their trust in that company is well founded.

It promotes good quality, ethical decision-making , builds sustainable businesses and enables them to create long-term value more effectively.

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REGULATION 2- OBJECTIVES

(1) To provide the framework for insurers to adopt sound and prudent principles and practices of their governance structure; and

(2) To provide a framework of roles and responsibilities of the Board and the management of insurers, to protect the interests of all stakeholders including policyholders; and to establish the framework for stewardship principles to be adopted by insurers.

REGULATION 3 -DEFINITIONS

Regulation 3(e) “Competent Authority”- (i) means Chairperson or (ii) such whole-time member or committee of the whole-time members or such officer(s) of the Authority, as may be determined by the Chairperson.

Regulation 3(f) “Key Management Persons” (KMPs)- means as defined in the Insurance Regulatory and Development Authority of India (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 as amended from time to time.

Regulation 2(k) of IRDAI(Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 defines - “Key Management Person” shall include members of the core management team of an insurer or applicant including all whole-time directors or Managing Directors or Chief Executive Officer and the functional heads one level below the Managing Director or Chief Executive Officer, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and the Company Secretary.

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CHAPTER-II **BOARD OF INSURERS**

REGULATION 4; BOARD OF DIRECTORS –

(1) every insurer shall have a Board, comprising of competent and educated directors. Their experience and education should be in commensurate with the scale, nature and complexity of the business and size of the insurer. There should be a combination of people having experience in insurance, finance, management, actuarial, underwriting, accounting etc.

*All insurers shall ensure an optimum composition of Independent Directors and non-executive directors, subject to a minimum of **THREE INDEPENDENT DIRECTORS**:*

Provided that insurers having foreign investment shall also comply with the Indian Insurance Companies (Foreign Investment) Rules, 2015:

Provided further that, the Chief Executive Officer shall be a Whole-time Director of the Board:

Provided further that the Chairperson of the Board shall be appointed with the prior approval of the Competent Authority except for public sector insurers.

(2) The Board shall ensure that in case the number of Independent Directors falls below the minimum specified number, the insurer shall promptly intimate the Authority. Such vacancy shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later, under intimation to the Authority.

Further, upon removal/ resignation of an Independent Director of the insurer, the insurer shall forthwith intimate the same, along with reasons, within thirty days to the Authority.

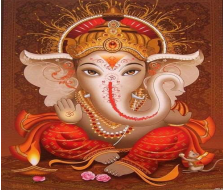
(3) An Independent Director shall comply with the provisions of the Act, Companies Act, SEBI Act and rules, regulations, circulars etc. issued thereunder (as applicable) and such other requirements as may be specified by the Competent Authority.

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(4) The directors shall fulfil the “fit and proper” criteria, at all times, on a continuous basis, as may be specified by the Competent Authority.

(5) The term, tenure and appointment of the directors shall be in compliance with the Companies Act and the Act.

(6) The conditions for appointment of common directors between insurers and insurance agents or intermediaries or insurance intermediaries as provided under section 48A of the Act, shall be as specified by the Authority.

SECTION 48A OF THE INSURANCE ACT, 1938-

Insurance agent or intermediary or insurance intermediary not to be director in insurance company.

No insurance agent or intermediary or insurance intermediary shall be eligible to be or remain a director in insurance company:

Provided that any director holding office at the commencement of the Insurance Laws (Amendment) Act, 2015 shall not become ineligible to remain a director by reason of this section until the expiry of six months from the date of commencement of the said Act:

Provided further that the Authority may permit an agent or intermediary or insurance intermediary to be on the Board of an insurance company subject to such conditions or restrictions as it may impose to protect the interest of policyholders or to avoid conflict of interest.

Reference No.: IRDAI/F&I/CIR/MISC/183/9/2022 dated 2nd September, 2022

Title: Circular-Appointment or Continuation of Common Director(s) u/s 48A of Insurance Act, 1938.

The second proviso of section 48A of the Insurance Act, 1938 provides that “the Authority may permit an agent or intermediary or insurance intermediary to be on the Board of an insurance company subject to such conditions or restrictions as it may impose to protect the interest of policyholders or to avoid conflict of interest.”

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The Authority, in exercise of powers conferred under section 14(1) of the IRDA Act, 1999 hereby provides the framework for appointment of common director under section 48A of the Insurance Act, 1938.

(7) The insurers shall, inter-alia, ensure the following:

(a) independence of the Board from the management as well as the promoters; and

(b) independence of control functions including compliance, risk, audit, actuarial and secretarial function.

PLEASE NOTE THAT:

- 1. There should be a minimum of three Independent Directors.*
- 2. MD/CEO shall be Whole Time Director*
- 3. Chairman of the Board should be appointed with prior approval of IRDAI.*
- 4. If the number of Independent Directors falls below three , they should be appointed in the following Board Meeting or within a period of three months for the date of vacancy.*
- 5. Removal/Resignation of IDs should be intimated to the Authority within 15 days.*

REGULATION 5: POWERS, ROLES AND RESPONSIBILITIES OF THE BOARD

(1) The Board shall be responsible for formulating the overall strategy and direction to the insurer, as well as overseeing its overall management.

(2) The Board shall ensure appropriate systems and procedures for risk management and internal controls are in place. The Board shall also oversee that these systems and procedures are operating effectively as intended.

(3) Framing of policies and delegation of responsibilities;-

(a) The Board shall set a clear and transparent policy framework for translation of the corporate objectives. The Board shall also ensure the formulation and adoption of various policies and strategies by the management and put in place a robust compliance system for all applicable laws and regulations.

(b) The Board, while laying down the policy framework shall consider various risks involved in carrying out its operations and their potential impact and shall follow the directions and guidance, as specified by the Competent Authority.

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(4) In discharge of its responsibilities, the Board may delegate its responsibilities and authority to various Committees of the Board, but such delegation does not absolve the Board from its primary responsibilities. The Board shall also be responsible for the acts and omissions of the Committees.

(5) The Board shall constitute the following committees, who shall perform such roles and responsibilities as may be specified by the Competent Authority:

*(a) **Committees as mandated by the Companies Act ,2013;** The Board shall constitute all committees, as mandated by the provisions of the Companies Act including but not limited to*

i) Audit Committee.

ii) Nomination and Remuneration Committee.

iii) Stakeholders Relationship Committee; and

iv) Corporate Social Responsibility Committee:

Provided that in addition to the requirements set out under the Companies Act, the Chairperson of the Audit Committee and Nomination and Remuneration Committee shall be an Independent Director.

*(b) **Risk Management Committee;** The Board of the insurers shall constitute a Risk Management Committee to implement the Risk Management System in order to have strong risk management strategies including Asset-Liability Management.*

*(c) **Policyholder Protection, Grievance Redressal and Claims Monitoring Committee (PPGR&CM Committee):** The Board shall constitute a PPGR&CM Committee which shall establish suitable systems and processes towards protection of the interests of policyholders, ensure measures towards creation of insurance awareness and empowering policyholders, and efficient and effective grievance redressal mechanism and monitoring of claims settlement processes:*

Provided that the chairperson of PPGR&CM Committee shall be an Independent Director: *Provided further that the constitution of PPGR&CM Committee shall not be mandatory in case of companies whose sole purpose is to carry on re-insurance business.*

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(d) Investment Committee; *The Board shall constitute an Investment Committee, which shall formulate and recommend investment policy and the operational framework for the investment operations of the insurer.*

(e) With Profits Committee; *Every insurer transacting participating life insurance business shall constitute a 'With Profits Committee' with the objective of ensuring appropriate management of 'with profit businesses.*

Provided that *the Board may also constitute such other Committees (in addition to the committees mentioned in (a) to (e) above) to discharge its functions and responsibilities to comply with applicable regulatory framework, or as it deems fit.*

(6) The insurers shall ensure that constitution of the above committees, appointment and removal of its members, quorum and frequency of meetings, and its functioning shall be in compliance with the provisions of the Act, Companies Act, SEBI Act and rules, regulations, circulars, etc. issued thereunder (as applicable) and such other requirements as may be specified by the Competent Authority.

REGULATION 5(7) CONFLICT OF INTEREST.

(a) The Board shall put in place adequate systems, policies and procedures to address potential conflicts of interest and inter alia ensure compliance with the provisions of the Companies Act.

(b) In an event where it is proposed to enter into a contract or arrangement with related parties, the disclosures by Directors and necessary approvals, as required under the provisions of the Companies Act, read with the relevant rules thereunder, shall be obtained.

(c) The Board shall ensure that Key Management Persons shall not simultaneously hold more than one position in the insurer that could lead to conflict or potential conflicts of interest such as 'business and control function' or 'two control functions.

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SECTION 184(1) OF THE COMPANIES ACT, 2013

Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

PLEASE NOTE THAT - *Provisions of Section 184 do not prohibits participation of a director in contract or arrangement with the entities in which he/she is interest but is requires disclosure by the interested director to the Board ,so that informed decision will be taken.*

PLEASE NOTE THAT- *any KMP should not hold two positions in the company at the same time.*

REGULATION 5(8) RELATED PARTY TRANSACTIONS.

(a) The insurers shall ensure that the related party transactions and disclosures are in accordance with the relevant provisions of Companies Act, SEBI Act and rules, regulations, circulars, etc. issued thereunder (as applicable) and such other requirements as may be specified by the Competent Authority.

SECTION 188 OF THE COMPANIES ACT, 2013- *requires a company to obtain prior approval of the Board or of the members of the company in certain situations prior to entering into any transaction or agreement with related party. Provisions of Section 188 are applicable to both private as well as public companies.*

(b) The Board shall formulate a policy on Related Party Transactions laying down, at a minimum, including the definition of transactions in the ordinary course of insurance business, method of determination of arm's length pricing, list of items requiring approvals under applicable laws and/or from Audit Committee, Board, Shareholders and any other matter relevant to the Related Party Transactions.

(c) The policy on Related Party Transactions shall be reviewed annually by the Board.

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REGULATION 5(9) CAPITAL STRUCTURE; *The Board shall ensure continuous compliance with the statutory requirements on capital structure while planning or examining options for capital augmentation of the insurer.*

REGULATION 55(10) EVALUATION OF THE BOARD, INCLUDING INDEPENDENT DIRECTORS; *The evaluation of directors including the Independent Directors shall be conducted in accordance with the provisions of the Companies Act. 2013.*

The requirement of Board Evaluation was introduced by the Companies Act 2013, followed by the SEBI (Securities and Exchange Board of India) Listing Obligations and Disclosure Requirements (SEBI LODR), 2015; effective from 1 December 2015. SEBI LODR requires companies to create and publish the criteria for evaluation of Independent Directors.

SEBI published a guidance note to educate companies and their boards on various aspects in the evaluation process.

Additional recommendations have been shared by the Kotak Committee on corporate governance such as Board composition, number of Independent Directors, etc. to broaden the horizon for Board evaluation.

Section 134(p) of Companies Act 2013: *In case of a listed company, and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation of the performance of the Board, its committees and of individual directors has been made must be provided in the report by its Board of Directors.*

Section 178(2) of Companies Act 2013: *The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down. It shall recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.*

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REGULATION 5(11) SUCCESSION PLANNING; As part of the Board's internal governance practices, the Board shall consider and adopt appropriate steps and measures towards succession planning through a process of proper identification and nurturing of individuals for taking up directorship and KMP positions of the insurer. The insurer shall adopt a plan in this regard and the Board shall review such a succession plan on an annual basis.

REGULATION 5(12) GROUPS AND CONGLOMERATES

(a) Insurers that are a part of a corporate group may be subject to the regulatory requirements regarding governance policies and practices established for the group-level and implemented uniformly across the group.

(b) In addition to the above, these practices may be reoriented at the level of the insurer taking into account its specific business and risk profile and sectoral regulatory requirements.

(c) For the purposes of these Regulation, the term "group" shall have the same meaning as ascribed to such term in Section 6A of the Act.

CHAPTER - III

KEY MANAGEMENT PERSONS

REGULATION 6- APPOINTMENT OF KEY MANAGEMENT PERSONS

(1) Every insurer shall appoint Managing Director/ Chief Executive Officer or Whole-time Director(s), by whatever name called in accordance with the provisions of Section 34A of the Act. The Board shall carry out effective due diligence to ensure that the incumbent is 'fit and proper' before recommending his/ her name for necessary approvals.

SECTION 32A OF INSURANCE ACT, 1938- PROHIBITION OF COMMON OFFICERS AND REQUIREMENT AS TO WHOLE-TIME OFFICERS.

(1)A managing director or other officer of an insurer carrying on life insurance business shall not be a managing director or other officer of any other insurer carrying on life insurance business or of a banking company or of an investment company:

Provided that the Authority may permit such managing director or other officer to be a managing director or other officer of any other insurer carrying on life insurance business for the purpose of amalgamating the business of the two insurers or transferring the business of one insurer to the other.

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(2) The KMPs shall be appointed by the Board on recommendation of the Nomination and Remuneration Committee. Further, the appointment of Appointed Actuary shall be in accordance with the Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024.

*(3) **THE CHIEF COMPLIANCE OFFICER (CCO)** shall be appointed for a minimum fixed tenure of not less than 3 years. The duties and responsibilities of the compliance function shall include at least the following:*

(a) Apprising the Board and senior management on applicable Acts, Rules, Regulations, Guidelines and Circulars.

(b) Ensuring compliance with the provisions of applicable Acts, Rules and Regulations made thereunder, and other Regulatory stipulations/directions.

(c) Designing compliance framework.

(4) In the event of vacancy due to retirement, resignation or otherwise, the Authority shall be kept informed of such event and the reasons therefor. Further, insurers shall initiate action for filling up of such vacant KMP positions on a priority basis, to ensure that it shall not remain vacant for a continuous period of more than one hundred and eighty days.

(5) The insurers shall collect and maintain details of their KMPs in such manner and format as may be specified by the Competent Authority. The insurers shall promptly inform the Authority of any appointment or change in the individual person holding the KMP position.

PLEASE NOTE THAT.

- 1. First time COO's definition is aligned with Companies Act, 2013.*
- 2. Minimum tenure for COO is minimum three years.*
- 3. COO shall be the officer responsible for filing and returns and documents with Authority.*
- 4. The vacancy in the office of KMPs shall be filled within a period of 180 days from the date of such vacancy.*
- 5. If there is any resignation/termination/removal same shall be intimated to IRDAI.*

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REGULATION 7. REMUNERATION TO DIRECTORS AND KEY MANAGEMENT PERSONS (KMPS)

(1) The insurers shall ensure sound remuneration policy and practices, as part of their Corporate Governance framework. Insurers shall also formulate and adopt a comprehensive Board approved remuneration policy in accordance with the framework specified by the Competent Authority for Chairperson of the Board, Non-Executive Directors and Key Management Persons.

(2) The Board shall oversee the effective implementation of remuneration policy which does not induce excessive or inappropriate risk taking, is in line with corporate culture, objectives, strategies, identified risk appetite and long-term interest of the insurer and which gives due regard to the interests of its policyholders and other stakeholders.

(3) The Board shall ensure and document that in structuring, implementing and reviewing the remuneration policy, the decision-making process identifies and manages conflicts of interests. Members of the Board shall not be placed in a position of actual or perceived conflict of interests with respect to remuneration decisions.

CHAPTER - IV

APPOINTMENT OF STATUTORY AUDITORS

REGULATION 8. STATUTORY AUDITORS

(1) The insurers shall appoint a minimum of two auditors as joint statutory auditors and shall ensure that there is no conflict of interest in their appointment.

(2) The Board shall appoint such statutory auditors on the recommendation of the Audit Committee, subject to the shareholders' approval at the general meeting of insurer.

(3) The Competent Authority may specify the eligibility norms, minimum qualifications, experience and other requirements for appointment of statutory auditors by the insurers.

CHAPTER - V

STEWARDSHIP

REGULATION 9. STEWARDSHIP.

(1) The insurer shall formulate a board approved Stewardship Policy which shall identify and define the stewardship responsibilities that the insurer wishes to undertake and how the policy intends to fulfill the responsibilities to enhance the benefits to its policyholders.

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(2) Subject to further stipulations as may be specified by the Competent Authority, the policy shall, at a minimum, provide that the insurers would play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance.

CHAPTER VI

OTHER GOVERNANCE REQUIREMENTS

REGULATION 10. DISCLOSURE & REPORTING REQUIREMENTS

(1) The CCO shall be responsible for ensuring and monitoring continuing compliance with these Regulations. Unless specified otherwise by the Authority in the respective Regulations, CCO shall be the designated Compliance Officer for submitting returns, reports and applications for approvals to the Authority.

(2) A report on the status of compliance with these Regulations shall be filed on an annual basis within such time and in such format as may be specified by the Competent Authority. Further, there shall be a separate certification from the CCO, in such format as specified by the Competent Authority.

(3) All insurers shall make necessary disclosures about the composition of its Board, meetings of Board & its Committees, details of attendance of meetings by directors and members of Committees, details of remuneration paid, if any, to all directors including Independent Directors, etc. in such manner and format as may be specified by the Competent Authority.

PLEASE NOTE THAT:

1. COO of the company is responsible for the implementation of this regulation.
2. COO shall be the designated officer to file returns and certificates with the Authority.
3. COO certificate related to compliance of these guidelines to be filed with the Authority.

REGULATION 11. ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

(1) Every insurer shall have in place a board approved Environmental, Social and Governance (ESG) framework. The activities of insurers under ESG are to be monitored by the Board. The ESG framework shall be reviewed by the Board on an annual basis.

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(2) The Board shall establish a comprehensive Climate Risk Management framework to facilitate climate risk management, keeping in view their size, nature and complexity of operations.

PLEASE NOTE THAT.

1. Formulation of ESG Policy.
2. ESG activities should be monitored by the Board of Directors.
3. A comprehensive Climate Risk Framework shall be established.

CHAPTER VII
MISCELLANEOUS

REGULATION 12. POWERS TO ISSUE CIRCULAR, GUIDELINES AND DIRECTIONS FROM TIME

TO TIME: The Competent Authority may issue circulars, guidelines and directions, if necessary, from time to time, relating to these regulations, including but not limited to, transitory provisions regarding implementation process of these regulations.

REGULATION 13. POWER TO ISSUE CLARIFICATIONS AND TO REMOVE DIFFICULTIES, IF

ANY: In order to remove any doubts or the difficulties that may arise in the application or interpretation of any of the provisions of these regulations, the Competent Authority may issue appropriate clarifications as and when deemed necessary.

DISCLAIMER: the article presented her is only for sharing information with readers. The views are personal, shall not be considered as professional advice. In case of necessity do consult with professionals.

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