

Brief Background

- ❑ Issued pursuant to Sec. 14 (2) (e) of IRDA Act and Reg. 32 of IRDA (Registration of Corporate Agents) Regulations, 2015.
- ❑ Insurance intermediaries include insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, surveyors and loss assessors and such other entities, as may be notified by the Authority from time to time. It is common for entities within a group to hold various IRDA registrations and have common directors.
- ❑ Recently, on September 02, 2022, IRDA had rolled out conditions for deemed approval for common directorship between insurance companies and insurance intermediaries. Refer to our article [here](#)
- ❑ In case of insurance intermediaries, the conditions was provided under Annexure 2C that was submitted at the time of registration. The present guidelines ease out several restrictions. Seems to be in substitution of undertaking provided in Annexure 2C.

Guidelines in respect of Conflict of Interest and Common Directorship among Intermediary or Insurance intermediary

Limit on Common Directorship

- ❑ Max number as prescribed under Section 165 of CA, 2013
 - 20 companies in total out of which public companies – 10.
 - directorship in private companies that are either holding or subsidiary company of a public company shall be included.
 - Earlier requirement – not more than 3 insurance intermediaries.
- ❑ No overall limit for the Board of Directors
 - Earlier – max 1/3rd of the board could be common amongst insurance intermediaries.
- ❑ Holding position as NED permitted
 - Can hold the position of KMP/CEO/ Principal Officer/WTD with one insurance intermediary.

Disclosure requirements

- ❑ On the insurance intermediary
 - Intimate IRDA about appointment
 - Within 30 days of appointment.
 - Submit undertaking in the format prescribed in the circular
 - Along with Board approved policy to deal with RPTs.
 - Timeline not prescribed. Seems to be submitted upon every appointment
 - Intimate other insurance intermediaries
- ❑ On the director
 - Abstain from voting and discussion where contracts or arrangements between related insurance intermediaries proposed.
 - Similar requirement under Annexure 2C
 - Submit disclosure in terms of Section 184 of CA, 2013
 - To be placed before the Board
 - Recorded in Register of Directors.
 - Earlier requirement - annual audit confirming compliance of these requirements shall be undertaken.

Compensation to Common Directors

- ❑ Compensation can be paid in accordance with CA, 2013.
 - Earlier requirement - only one intermediary could pay compensation to the common director
 - Excluding sitting fees.

Related Party Transactions ('RPTs')

- ❑ RPT policy to be framed and approved by the Board to deal with RPs under Section 2 (76) of CA, 2013;
- ❑ All RPTs among insurance intermediary to comply with Section 188 of CA, 2013 and applicable accounting standard.
- ❑ Annual Certification by Statutory Auditor
 - To be submitted to IRDA
 - By September 30 of the subsequent financial year
 - On compliance of requirement under Section 188 of CA, 2013
 - Earlier requirement – independent review by the statutory auditors on quarterly basis and disclosure in the financial statement.
- ❑ All RPTs to be placed before the intermediary's board as per the CA, 2013.
- ❑ All RPT transactions to be in compliance of Section 188 of the Act and AS 18.
 - Earlier requirements -
 - All RPTs to be placed before Audit Committee and Board on quarterly basis
 - RPTs not in OC or not on arm's length to be approved by shareholders.
 - Audit Committee to act as Compliance Committee.

Format for Undertaking by CEO in respect of Conflict of Interest and Common Directors

(on company letter head)

Undertaking by CEO in respect of Conflict of Interest and Common Directors

We are a Corporate Agent/Insurance Broker/_____ (Intermediary or Insurance Intermediary) holding the Certificate of Registration (CoR) bearing No _____, CoR Category _____, valid till _____. We have the following common directors.

PARTICULARS OF COMMON DIRECTORS

| Name of Director & DIN | Designation/ Role | Name of Insurance Intermediary/Insurer | Designation/ Role |
|------------------------|-------------------|--|-------------------|
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We submit, in respect of Board Approved Policy, Disclosure and Non-Executive role of the common directors, the following:

(I) Board Approved Policy

- We have put in place the Board Approved Policy to deal with related party transactions as defined in Section 2(76) read with Section 188 of the Companies Act 2013, transacted between Intermediaries or Insurance Intermediaries who have been issued Certificate of Registration (CoR) by IRDAI. Copy of the policy is submitted herewith.
- All related party transactions between the intermediaries or insurance intermediaries will be placed before the Board of the intermediaries as required under the Companies Act, 2013.

(II) Disclosures :

- The common director(s) shall provide general notice of disclosures of their nature of interest and their relatives in accordance with provisions of Section 184 of the Companies Act, 2013.
- Disclosures provided by the common director(s) shall be placed before the Board and also recorded in the Register of Director(s).

III) Non-Executive Role of Common Director(s):

- The common director(s) is/are not holding the position of KMP, Principal Officer, Whole-time Director or CEO in more than one Intermediary or Insurance Intermediary.
- Common director(s) has/have been appointed only as non-Executive Director(s) on the Board of other intermediary(ies).
- The compensation will be paid to the common director(s) in accordance with the provisions of Companies Act, 2013.
- The common director(s) shall abstain from discussion and voting in a situation where contracts or arrangements between intermediary or insurance intermediary who are related, are proposed.

We hereby undertake to ensure that conflict of interest situations are avoided at all times.

Place:

Date:

Signature of CEO

Name:

Seal

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