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**Master Circular on Corporate Governance for Insurers, 2024**

1. The Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024 (“the Regulations”) were notified on 21<sup>st</sup> March 2024. The Authority has outlined in general terms, governance responsibilities of the Board in the management of insurers under the Regulations. In exercise of the powers conferred by Section 34 of the Insurance Act, 1938, Section 14 of the IRDA Act, 1999 and Regulation 12 of the Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024 (“the Regulations”) the Authority hereby issues this master circular to provide various operational and procedural aspects, for adoption by all insurers.
2. The title of this Master Circular shall be “Master Circular on Corporate Governance for Insurers,2024”.
3. This Master Circular shall be applicable to all insurers except foreign company engaged in re-insurance business through a branch established in India.
4. This Master Circular becomes effective upon issuance. However, Insurers are given time up to 30<sup>th</sup> June, 2024 to ensure compliance with its provisions. Further, where specific timelines are specified for certain compliances in this Master Circular, such timelines shall remain the same.

This has approval of the Competent Authority.

Sd/-  
G R Surya Kumar  
Chief General Manager

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## 1. General

Corporate Governance is understood as a system of financial and other controls in a corporate entity and broadly defines the relationship between the shareholders, Board of Directors and management. In case of the financial sector, where the entities accept public liabilities for fulfillment of certain contracts, the relationship is fiduciary with enhanced responsibility to protect the interests of all stakeholders. The Corporate Governance framework should clearly define the roles and responsibilities and accountability within an organization with built-in checks and balances. An efficient corporate governance framework allows an insurer to maintain flexibility and transparency, promptly respond to operational changes, and make timely decisions. It ensures that decision-making powers are not overly centralized. This framework also strengthens the capacity of key stakeholders responsible for the insurer's governance—such as the Board, Senior Management, and Key Persons in Control Functions—to effectively and prudently manage the insurer's business.

## 2. Board of Directors

### 2.1 Composition

- (a) Insurer shall ensure an optimum composition of Independent Directors and Non-Executive Directors, subject to a minimum of three independent Directors.
- (b) The quorum for the board meetings shall be one-third of the total strength of the board or three directors, whichever is higher.
- (c) Insurer shall ensure that the Board comprises of competent and qualified Directors to drive the strategies in a manner that would sustain growth and protect the interests of the stakeholders in general and policyholders in particular.
- (d) The size of the Board, in addition to being compliant with legal requirements (where applicable), should be consistent with scale, nature and complexity of business. The size and composition should ensure that they collectively provide knowledge, skills, experience and commitment. Further, the Directors should be in a position to dedicate sufficient time and commitment to fulfil their responsibilities.
- (e) It is essential that the Directors possess the knowledge of group structure, organizational structure, process and products of the insurer. The Board shall comply with *inter alia* the following key requirements:
  - (i) The Board of Directors should understand the operational structure of the insurer and have a general understanding of the lines of business and products of the insurer, more particularly as the insurer grows in size and complexity.
  - (ii) The Board of Directors of an insurer belonging to a larger group structure/ conglomerate should understand the material risks and issues that could affect the group entities, with attendant implication on the insurer.

- (iii) In case of insurer under conglomerate structure and where there is potential scope for transfer of risks and conflicts of interests that affect the group entities, the optimum composition of Independent Directors and Non-Executive Directors shall enhance the quality of business judgment and benefits of the shareholders and policyholders.
- (f) Insurers may have different structures with the Board of Directors headed by an executive or non-executive Chairperson, with distinct oversight responsibilities over the other Directors and Key Management Persons. However, to promote checks and balances, it is good practice for the Chair of the Board to be a non-executive Board member and not serve as chair of any Board committee. It is expected that whatever form is taken, the broader elements of good Corporate Governance are present. The proposal for appointment of Chairperson of the Board shall be submitted as per **Annexure 1** (Form A, B and C) for prior approval of the Competent Authority. Chairperson of the insurer as on the date of issue of this circular is permitted to continue as Chairperson upto 31<sup>st</sup> March 2026 or till he/she completes his/her current tenure, whichever is earlier. In case of insurers, where the appointment of Chairperson is governed by the specific acts/rules/regulations/instructions of the Government of India, such insurers do not require prior approval of the Competent Authority.
- (g) An independent Director shall fulfil all conditions specified under Section 149 of the Companies Act. An appointment letter shall be issued to the Independent Director laying down the terms and conditions, including his duties, responsibilities, sitting fees, etc.
- (h) As required under Section 149 of the Companies Act, 2013, there shall be at least One-Woman Director on the Board of every Insurance company.

## **2.2 Appointment of Common Directors**

Framework for appointment of common director under section 48A of the Insurance Act,1938:

- (a) The appointment or continuation of common director representing insurance agent, intermediary or insurance intermediary on the board of insurance company shall be deemed to have been permitted, unless otherwise provided for in this circular, subject to the following conditions:
  - (i) The proposed director shall not be working in the capacity of the Chief Insurance Executive / Specified Person or any other officer responsible for soliciting insurance business for or on behalf of the insurance agent, intermediary or insurance intermediary while holding the position of director in the insurance company.
  - (ii) There should be no conflict of interest or prejudice against the interest of the policyholders as a result of such appointment.

- (iii) Non-Executive Directors appointed under section 48A of the Insurance Act, 1938 shall be eligible for remuneration as per Clause 9.1 “Remuneration of Non-Executive Directors of Insurers” of this circular.
  - (iv) The disclosure requirement as laid down under the relevant Regulations, Circulars and any other extant applicable laws shall be complied with.
  - (v) A resolution is passed approving such appointment by the Board of insurance company/agent/ intermediary/insurance intermediary.
  - (vi) The common director shall recuse himself/herself from the discussion and voting on any matter/discussion pertaining to:
    - (A) Any area having potential conflict of interest;
    - (B) Insurer/Agent/Intermediary/Insurance intermediary where she/he is holding common directorship.
  - (vii) The number of directorships held by the common director shall not exceed, at any point of time, the maximum number of directorships specified under the extant law including the Companies Act.
  - (viii) The Insurer/Agent/Intermediary/Insurance intermediary shall comply with all other applicable laws.
- (b) An individual, already acting or proposed to act as Executive Director / Whole-Time Director on the Board of the Insurer/Agent/Intermediary/Insurance intermediary, shall not be appointed as nominee/common director. This clause shall not be applicable in case of any director appointed or proposed to be appointed as a nominee of a promoter of the insurer.
  - (c) The common director may be appointed as Chairperson on the Board of the insurance company/agent/intermediary/insurance intermediary subject to necessary safeguards, to be put in place at all the times, to protect the interest of policyholders and to avoid the conflict of interest as may arise due to such appointment.
  - (d) The Directors appointed under section 48A of the Insurance Act, 1938 after obtaining due approval of the Authority may continue to hold the directorship till completion of tenure of appointment.
  - (e) The insurers shall file a certificate on an annual basis, duly certified by the CEO, confirming compliance with the provisions of this circular on financial year basis, within 3 months from end of the financial year i.e. before 30th June. The format for certificate in this regard shall be as specified in the Master Circular on Submission of Returns.

### **2.3 Roles and responsibilities of the Board**

- (a) The specific areas of responsibilities of the Board of insurers are detailed in *Annexure 2*.

- (b) The Board in active consultation with the Key Management Persons, should establish and evaluate strategies and policies to address, at the minimum, a broad range of areas, as indicated below, which may be reviewed from time to time to ensure that they are dynamic:
- (i) Overall direction of the business of the insurance company, including policies, strategies and risk management across all the functions and in particular shall articulate and commit to a corporate philosophy and governance that will shape the level of risk adoption, standards of business conduct and ethical behaviour of the insurer at the macro level;
  - (ii) Projections on the capital requirements, revenue streams, expenses and the profitability. While laying down the projections, the Board must address the expectations of the shareholders and the policyholders;
  - (iii) Obligation to fully comply with the Act and the regulations framed thereunder, and other statutory requirements applicable to it;
  - (iv) Monitoring and managing potential conflicts of interest of policyholders, management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions;
  - (v) Ensuring fair treatment of policyholders and employees;
  - (vi) Ensuring information sharing with and disclosures to stakeholders, including investors, policyholders, employees, the regulators, consumers, financial analysts and/or rating agencies;
  - (vii) Establishing channels for encouraging and facilitating employees raising concerns or reporting a possible breach of law or regulations, with appropriate measures to protect whistle blowers;
  - (viii) Developing a corporate culture that recognizes and rewards adherence to ethical standards.
- (c) The Board may delegate its authority to the Board Committees in the discharge of this responsibility but such delegation does not absolve the Board from its primary responsibilities.
- (d) The Board shall seek detailed and transparent information flow from the KMPs through well documented agenda notes and also devise appropriate systems to serve as effective monitoring arrangements.
- (e) The Board shall be responsible for the oversight over the control functions of an Insurer.
- (f) The Directors are also required to enter into a Deed of Covenant as per the format placed at *Annexure 3*, with the insurer; duly approved by the Board, pursuant to their terms of appointment to ensure that there is a clear understanding of the mutual role of the insurer, the Directors and the Board in Corporate Governance.

## 2.4 Fit and Proper Criteria for Directors

- (a) The maximum age limit for Non-Executive Directors, including the Chairperson of the board, shall be 75 years and after attaining the age of 75 years no person shall continue on the Board of an insurer.

Provided that in cases where the Chairperson/ Non-Executive Director has already attained the age of 75 years as on the date of issue of this circular, such insurers shall appoint new incumbent in place of such Chairperson/ Non-Executive Director by 30<sup>th</sup> June, 2024.

- (b) An Independent Director may be appointed for a term of up to five consecutive years on the Board of an insurer, and shall be eligible for re-appointment for the second term on passing of a special resolution by the insurer. No independent Director shall hold office for more than two consecutive terms. Such independent director shall be eligible for re-appointment only after a cooling-off period of at least three years.

Explanation: the tenure of the Independent Directors on the board of insurers as on the date of issue of this circular shall be taken into account. If a director has already completed two consecutive terms on the date of issue of this circular, such insurers shall appoint new incumbent in place of such director(s) by 30<sup>th</sup> June, 2024.

- (c) Subject to the statutory approvals required from time to time, the post of the Managing Director (MD), Chief Executive Officer (CEO) or Whole-time Director (WTD) shall not be held by the same incumbent for a continuous period of more than 15 years. Thereafter, the individual shall be eligible for re-appointment as MD, CEO or WTD in the same insurer, if considered necessary and desirable by the board, after a cooling off period of at least one year, subject to meeting other applicable conditions. No person shall continue as MD, CEO or WTD with an insurer beyond the age of 70 years. Within the overall limit of 70 years, as part of their internal policy, individual insurer's Boards are free to specify a lower retirement age for the WTDs, including the MD, CEO.
- (d) If the MD, CEO or WTD is appointed by a promoter/ major shareholder, then he/she shall not hold the said posts for a continuous period of more than 12 years. However, the Authority may, on an application made to it by the concerned insurer giving substantial reasons for the same, permit such MD, CEO or WTDs to hold office up to 15 years.
- (e) A promoter/shareholder cannot hold a whole time position in the insurer. However, this condition is not applicable in case where an employee becomes a shareholder by virtue of shares received through ESOPs/Public Offering during the course of employment. This condition is also not applicable in case of public sector insurers where the WTD/Chairperson hold shares by virtue of his/her position in the insurer and on behalf of Government of India.
- (f) For the purpose of compliance with the above stipulations, the tenure of the MD/ CEO/ WTD of insurer as on the date of issue of the circular shall also be taken into

account. If a director has already completed a period of twelve years/ fifteen years as the case may be, on the date of issue of this circular, such insurers shall appoint the new incumbent in place of such director(s) by 30<sup>th</sup> June, 2024.

- (g) The Directors of insurers shall be suitable persons who meet the “fit and proper” criteria. The criteria to be satisfied, at a minimum, would relate to integrity demonstrated in personal behaviour and business conduct, soundness of judgment and financial soundness. The fit and proper requirements seek to ensure that the Director should not have been convicted or come under adverse notice of the laws and regulations involving moral turpitude or of any professional body.
- (h) With a view to ensuring that the Directors comply with the above requirement, a due diligence enquiry should be undertaken on the person to be appointed as Director or for the continuance of the existing Directors only after obtaining a declaration from the proposed/existing Directors in the format given in *Annexure 4*, at the time of their appointment/re-appointment.

## **2.5 Control Functions**

- (a) The Insurer shall ensure independence of control functions including compliance, risk, audit, actuarial and secretarial function. Given the risks that an insurer takes in carrying out its operations, and the potential impact it has on its business, it is important that the Board ensures adoption of:
  - (i) robust and efficient mechanisms for the identification, assessment, quantification, control, mitigation and monitoring of the risks;
  - (ii) appropriate processes for ensuring compliance with the Board approved policy, and applicable laws and regulations;
  - (iii) appropriate internal controls to ensure that the risk management and compliance policies are observed;
  - (iv) an internal audit function capable of reviewing and assessing the adequacy and effectiveness of, and the insurer’s adherence to its internal controls as well as reporting on its strategies, policies and procedures which includes:
    - (A) monitoring the insurer’s implementation of, and adherence to, internal controls,
    - (B) assessing the adequacy and effectiveness of these controls, and recommend improvements.
    - (C) reporting any major findings or material problems directly to the audit committee
    - (D) monitoring the insurer’s implementation of, and adherence to, governance, risk management and compliance policies, assess the adequacy and effectiveness of these policies, review and assess the risk management system, and recommend improvements, as well



as report material findings or problems on these matters to relevant board committee.

- (v) independence of the control functions from business operations demonstrated by a credible reporting arrangement.
- (b) The Board shall be responsible for the oversight over the control functions of an insurer.
- (c) For insurers within a group, appropriate and effective group-wide risk control systems shall be adopted in addition to the control systems at the level of the insurer. The Boards/ Committees of the Board of the respective insurers are required to lay down requisite policy framework to ensure that such risks are adequately addressed.
- (d) The Heads of Control Functions shall have access to all such information and documents in possession or under control, of the insurer, if such access is necessary for the proper and effective performance of the control functions.
- (e) Where a Key Management Person is currently holding 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’, the compliance with the provisions of Regulations 5(7) (c) of the IRDAI (Corporate Governance for insurers),2024 shall be ensured before 1<sup>st</sup> April 2025.

### **3. Conflict of Interest – Role of Board**

- 3.1** Where the insurer proposes to enter into a contract or arrangement with “Related Parties” as defined in Companies Act, the insurer shall ensure compliance with the applicable provisions of Companies Act, including in relation to the disclosures by Directors and necessary approvals as required under Sections 184, 177(4)(iv) and 188 of Companies Act, read with the relevant Rules thereunder, as amended from time to time. In case of listed insurer, the insurer shall also ensure compliance with the regulations issued by SEBI from to time.
- 3.2** Adequate systems, policies and procedures to address potential conflicts of interest and compliance with the provisions of Companies Act, 2013 need to be established by the insurers.
- 3.3** Where the transactions with Related Parties are in the nature of transactions such as reinsurance arrangements or investment transactions or outsourcing to Related Parties, for which specific regulations or circulars have been notified, compliance with the respective regulations or circulars shall also be ensured.
- 3.4** In the case of insurance cover given by the insurer to its group companies, price/ premium quoted by the insurers under the applicable product filing regulations/ circular should be considered at arm’s length.
- 3.5** The disclosures about payments made to group entities of the insurer out of the policyholders’ funds, shall be made as a part of the related party disclosures as per the

disclosure requirements of this master circular; and all such transactions may be grouped together under the related party transactions.

- 3.6** Related Party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protection of the interest of the company and its policyholders.

**4. Delegation of Functions - Committees of the Board:**

With a view to providing adequate Board time for discharge of the significant corporate responsibilities, the Board can consider setting up of various Committees of Directors by delegating the overall monitoring responsibilities after laying down the roles and responsibilities of these Committees to the Board. However, it is emphasized that the overall responsibility for directing the affairs of the insurers shall be with the Board and it shall continue to exercise its oversight directly on matters that are not specifically delegated to any of its Committees.

The following aspects need to be defined in respect of the role and functions of the Committees:

- (a) Constitution
- (b) Objectives
- (c) Responsibilities
- (d) Frequency of meeting / quorum requirements
- (e) Appointment and removal of members
- (f) Reporting to the Board

The general roles and responsibilities of the Committees are as detailed below.

**4.1 Audit Committee (mandatory)**

- (a) Every Insurer shall constitute an Audit Committee as per Section 177 of the Companies Act, as amended from time to time, including in relation to its composition. Currently, as required under Section 177 of the Companies Act, 2013, the Audit Committee shall comprise minimum of three directors, majority of whom shall be Independent Directors. The Chair of the Board should not be a member of the Audit Committee.
- (b) The Audit Committee shall oversee the financial statements, financial reporting, statement of cash flow and disclosure processes both on an annual and quarterly basis. It shall set-up procedures and processes to address all concerns relating to adequacy of checks and control mechanisms.
- (c) The Chairperson of the Audit Committee should be an Independent Director of the Board with an accounting/finance/audit experience and may be a Chartered

Accountant or a person with a strong financial analysis background. The association of the CEO in the Audit Committee should be limited to occasions where the Audit Committee requires eliciting any specific information concerning audit findings.

- (d) The Audit Committee will oversee the efficient functioning of the internal audit department and review its reports. The Committee will additionally monitor the progress made in rectification of irregularities and changes in processes wherever deficiencies have come to notice.
- (e) The Audit Committee shall be directly responsible for the recommendation of the appointment, remuneration, performance and oversight of the work of the auditors (including internal/statutory/Concurrent/ Secretarial / Forensic / Systems Audit). In case of statutory audit, the independence of the external auditors shall be ensured (although the approval of appointment, remuneration and removal of the statutory auditors shall be done by the shareholders at the general body meeting).
- (f) The Audit Committee shall have the oversight on the procedures and processes established to attend to issues relating to maintenance of books of account, administration procedures, transactions and other matters having a bearing on the financial position of the insurer, whether raised by the auditors or by any other person.
- (g) The Audit Committee shall discuss with the statutory auditors before the audit commences, about the nature and scope of audit as well as have post-audit discussions to address areas of concern.
- (h) The Audit Committee shall act as a “compliance” Committee to discuss the level of compliance in the insurer and any associated risks and to monitor and report to the Board on any significant compliance breaches.
- (i) The Audit Committee shall have oversight on the overall management costs of the insurer as these are also additionally governed by the limits prescribed statutorily in the Act and Regulations framed thereunder in order to protect the interests of the policyholders.
- (j) Any additional work other than statutory/internal audit that is entrusted to the auditor or any of its associated persons or companies shall be specifically approved by the Audit Committee keeping in mind the necessity to maintain the independence and integrity of the audit relationship.
- (k) Review and monitor the auditor’s independence and performance and effectiveness of audit process.
- (l) Approval or any subsequent modification of transactions of the company with related parties.

Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions

as may be prescribed under Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014.

- (m) All such other work entrusted to the auditor or its associates shall be specifically disclosed in the Notes to Accounts forming part of the annual accounts of the insurer. However, it may be ensured that insurer comply with Section 144 of the Companies Act before deciding to provide any additional work to the Statutory Auditors.

#### **4.2 Investment Committee (mandatory)**

- (a) The Board of every Insurer shall set up an Investment Committee comprising of at least two Non-Executive Directors, the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Risk Officer and the Appointed Actuary.
- (b) Any new appointment or removal of any member of the Investment Committee is to be approved by the Board.
- (c) The Committee shall be responsible to recommend investment policy and lay down the operational framework for the investment operations of the insurer. The investment policy and operational framework should, inter alia, encompass aspects concerning liquidity for smooth operations, compliance with prudential regulatory norms on investments, risk management / mitigation strategies to ensure commensurate yield on investments and above all protection of policyholders' funds.
- (d) The Investment Committee shall be responsible for implementing the Investment Policy duly approved by the Board.
- (e) Members of the Committee should familiarize themselves and be conversant with the relevant provisions of various Acts, Rules, Regulations, Guidelines, Circulars, etc., issued by the Authority as amended from- time-to-time.
- (f) For assessment of credit risk and market risk, the members of the Committee should not be influenced only by the credit rating. The committee should independently review their investment decisions and ensure that support by the internal due diligence process is an input in making appropriate investment decisions.
- (g) The Committee shall formulate an effective reporting system to ensure compliance with the policy set out by it apart from Internal /Concurrent Audit mechanisms for a sustained and on- going monitoring of Investment Operations.
- (h) The Committee shall meet at least once in a quarter to review investment operations and submit a report to the Board on the performance of the investment portfolio with regard to its safety and soundness.
- (i) The Committee shall approve the Standard Operating Procedures (SOPs) of Investment Operations of the insurer.

#### **4.3 Risk Management Committee (mandatory)**

- (a) It is now well recognized that the sound management of an insurance company, as in the case of other financial sector entities, is dependent on how well the various risks are managed across the organization.
- (b) In pursuit of development of a strong risk management system and mitigation strategies, insurers shall set up a separate Risk Management Committee to implement the insurer's Risk Management Strategy.
- (c) The Risk Management function should be under the overall guidance and supervision of the Chief Risk Officer (CRO) with a clearly defined role. It shall be organized in such a way that it is able to monitor all the risks across the various lines of business of the insurer and the CRO has direct access to the Board.
- (d) The Risk Management Committee shall comprise of at least two non-executive directors, one independent director, the Chief Executive Officer, the Chief Financial Officer, the Appointed Actuary and the CRO. Meetings of the Risk Management Committee shall be chaired by an Independent Director who shall not be chair of the Audit Committee of the Board.
- (e) The Risk Management function should not focus solely on compliance; it should focus on adding value to rest of the business.
- (f) Risk Management function should work in close co-ordination with the finance function, but independently assess and evaluate the capital, finance and other operating decisions. Broadly, the Risk Management Committee shall:
  - (i) Establish effective Risk Management framework and recommend to the Board the Risk Management policy and processes for the organization.
  - (ii) Set the risk tolerance limits and assess the cost and benefits associated with risk exposure.
  - (iii) Review the insurer's risk-reward performance to align with overall policy objectives.
  - (iv) Discuss and consider best practices in risk management in the market and advise the respective functions;
  - (v) Assist the Board in effective operation of the risk management system by performing specialized analyses and quality reviews;
  - (vi) Maintain an aggregated view on the risk profile of the insurer for all categories of risk including insurance risk, market risk, credit risk, liquidity risk, operational risk, compliance risk, legal risk, reputation risk, etc.
  - (vii) Advise the Board with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy, mergers and acquisitions and related matters.

- (viii) Report to the Board, details on the risk exposures and the actions taken to manage the exposures; review, monitor and challenge where necessary, risks undertaken by the insurer
  - (ix) Review the solvency position of the insurer on a regular basis.
  - (x) Monitor and review regular updates on business continuity.
  - (xi) Formulation of a Fraud monitoring policy and framework for approval by the Board.
  - (xii) Monitor implementation of Anti-fraud policy for effective deterrence, prevention, detection and mitigation of frauds.
  - (xiii) Review compliance with the Insurance Fraud Monitoring Framework issued by the Authority relating to risks.
- (g) Asset Liability Management (ALM)
- (i) ALM is an ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk appetite, risk tolerances and business profile.
  - (ii) ALM lays down the framework to ensure that the insurer invests in a manner which would enable it to meet its cash flow needs and capital requirements at a future date to mitigate liquidity risk and solvency stipulations.
  - (iii) The functions of the Risk Management Committee in respect of ALM shall include:
    - (A) Setting the insurer's risk/reward objectives and assessing policyholder expectations.
    - (B) Quantifying the level of risk exposure (eg. market, credit and liquidity) and assessing the expected rewards and costs associated with the risk exposure.
    - (C) Formulating and implementing optimal ALM strategies and meeting risk-reward objectives at both product and enterprise level.
    - (D) Ensuring that liabilities are backed by appropriate assets and manage mismatches between assets and liabilities to ensure they remain within acceptable monitored tolerances for liquidity, solvency and the risk profile of the entity.
    - (E) Monitoring risk exposures at periodic intervals and revising ALM strategies where required. Reviewing, approving and monitoring

systems, controls and reporting used to manage balance sheet risks including any mitigation strategies.

- (F) Regular review and monitoring of mismatch between assets and liabilities and the acceptable tolerance limits for mismatch, if any.
  - (G) Ensuring that management and valuation of all assets and liabilities comply with standards, prevailing legislation and internal and external reporting requirements.
  - (H) Submitting the ALM information before the Board at periodic intervals. Annual review of strategic asset allocation.
  - (I) Reviewing key methodologies and assumptions including actuarial assumptions, used to value assets and liabilities
  - (J) Managing capital requirements at the insurer level using the regulatory solvency requirements
  - (K) Reviewing, approving and monitoring capital plans and related decisions over capital transactions (e.g. dividend payments, acquisitions, disposals, etc).
- (h) Reviewing the reinvestment decisions of matured investments considering the duration of liabilities.

#### **4.4 Policyholder Protection, Grievance Redressal and Claims monitoring Committee (PPGR &CM Committee) (mandatory)**

- (a) Adoption of sound and healthy market practices in terms of sales, marketing, advertisements, promotion, publicity, redressal of customer grievances, consumer awareness and education is essential.
- (b) With a view to addressing the various compliance issues relating to protection of the interests of policyholders, as also relating to keeping the policyholders well informed of and educated about insurance products and complaint-handling procedures, each insurer shall set up a PPGR&CM Committee. The Committee shall ensure compliance with the relevant regulations/guidelines/circulars in this regard to protect the interest of the policyholders.
- (c) Such Committee shall be headed by an Independent Director and may include an expert/representative of customers as an invitee to enable insurers to formulate policies and assess compliance thereof. The Committee shall recommend a policy on customer education for approval of the Board and ensure proper implementation of the same.
- (d) The Committee should put in place systems to ensure that policyholders have access to redressal mechanisms and shall establish policies and procedures, for the creation of a dedicated unit to deal with customer complaints and resolve disputes expeditiously.

- (e) The Committee shall monitor the status of claims on regular basis including claims settled, rejected and outstanding.
- (f) The functions and responsibilities of the PPGR&CM Committee, at the minimum, is to:
  - (i) Adopt standard operating procedures to treat the customer fairly including time frames for policy and claims servicing parameters and monitoring implementation thereof.
  - (ii) Establish effective mechanism to address complaints and grievances of policyholders including mis-selling by intermediaries.
  - (iii) Put in place a framework for review of awards given by Insurance Ombudsman/Consumer Forums. Analyse the root cause of customer complaints, identify market conduct issues and advise the management appropriately about rectifying systemic issues, if any.
  - (iv) Review all the awards given by Insurance Ombudsman/Consumer Forums remaining unimplemented for more than Thirty (30) days with reasons therefor and report the same to the Board for initiating remedial action, where necessary.
  - (v) Review the measures and take steps to reduce customer complaints at periodic intervals.
  - (vi) Ensure compliance with the statutory requirements as laid down in the regulatory framework.
  - (vii) Provide details of grievances at periodic intervals in such formats as may be prescribed by the Authority.
  - (viii) Ensure that details of insurance ombudsmen are provided to the policyholders.
  - (ix) Ensure that there is a Grievance Redressal officer in place who shall be responsible for grievance redressal and whose details are shall be made available at the website
  - (x) Review of Claims Report, including status of Outstanding Claims with ageing of outstanding claims.
  - (xi) Review Repudiated claims with analysis of reasons.
  - (xii) Review status of settlement of other customer benefit pay-outs like Surrenders, Loan, Partial withdrawal requests etc.
  - (xiii) Review the settlement of unclaimed amounts on quarterly basis, including the number and amounts of claims. Also, review the steps taken to reduce unclaimed amounts by identifying policyholders or beneficiaries and



creating awareness in accordance with the Standard operating procedure/policy approved by the committee.

- (g) The Board shall review the status report on policyholders' protection issues, submitted by the Committee, in each of its meeting.

#### **4.5 Nomination and Remuneration Committee (NRC) (mandatory)**

- (a) The Nomination and Remuneration Committee shall be constituted in line with the provisions of Section 178 of the Companies Act, as amended from time to time. However, the NRC shall be chaired by an independent director.
- (b) The Nomination and Remuneration Committee shall scrutinize the declarations of intending applicants before the appointment/ reappointment/ election of directors by the shareholders at the General Meetings.
- (c) The Committee shall also scrutinize the applications and details submitted by the aspirants for appointment as the Key Management Persons (KMPs). The Nomination and Remuneration Committee could also make independent/ discreet references, where necessary, well in time to verify the accuracy of the information furnished by the applicant.
- (d) Insurer shall obtain an annual declaration from the Directors/ KMPs that the information provided in the declaration at the time of appointment/ reappointment has not undergone any change subsequently and the changes, if any, are apprised by the concerned Director to the Board.
- (e) The appointment and reporting of Key Management Persons shall be as per the directions given in *Annexure 5*.
- (f) The setting up of a Nomination and Remuneration Committee should keep the above requirements in view. Further, the envisaged role of the Nomination and Remuneration Committee includes the following aspects:
  - (i) The Nomination and Remuneration Committee is required to determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the insurance company's policy on remuneration packages and any compensation payment, for the CEO, the Executive and Non-Executive Directors, Key Management Persons of the insurer in alignment with the applicable framework.
  - (ii) The Nomination and Remuneration Committee shall ensure that the remuneration packages of the Key Management Persons of the insurer are as per the Remuneration Policy approved by the Board.
  - (iii) The Committee shall ensure that the proposed appointments/ re-appointments of Key Management Persons or Directors are in conformity with the Board approved policy on retirement/ superannuation.

- (iv) The Committee shall be responsible for the succession planning of the insurer including in its implementation in a smooth manner.

In case of insurers, where the appointment of Directors and KMPs is governed by the specific acts/rules/regulations/instructions of the Government of India, such insurers shall comply with the same.

#### **4.6 Corporate Social Responsibility Committee ('CSR Committee') (mandatory)**

- (a) The CSR committee shall be constituted as specified under Section 135 of the Companies Act, as amended from time to time.

- (b) Further the 'Net Profit' for this purpose shall be as under:

"Net profit" means the "profit/(loss) before tax" as per its financial statements prepared in accordance with the applicable provisions of the Insurance Act, 1938 and the Regulations framed thereunder, but shall not include the following, namely

- (i) Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Companies Act.

**Provided** that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Insurance Act, 1938, shall not be required to be re-calculated in accordance with the provisions of the Companies Act.

- (c) In line with Section 135(5) of Companies Act, the Board of Directors of the insurer shall ensure that the insurer spends not less than 2% of the three years' average Net Profits towards the CSR activities.

- (d) In addition, the following points in relation to the above shall also be complied with by the insurers:

- (i) CSR shall be based only on the average of the three years' profit as per the Statement of Profit and Loss Account as stated above. If insurer has not completed 3 years from its incorporation, then for the purpose of calculation of average net profit, the profit immediately preceding financial year shall be considered.
- (ii) The CSR Committee shall formulate a CSR policy, get it approved by the Board. The Constitution of CSR Committee shall be as per Companies Act.
- (iii) The CSR committee shall monitor the "CSR Policy" of the insurer from time to time.

- (iv) The expense incurred on CSR Policy shall not be included for the purpose of calculation of ceilings on Expenses of Management under Section 40B and Section 40C of the Insurance Act, as the case may be.
- (v) The expenses incurred on CSR shall not be charged to the Policyholders' Account.

The Board shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website.

#### **4.7 With-Profits Committee (only for Life Insurers):**

- (a) The insurers shall comply with the framework of the With-Profit Fund Management and Asset share calculations specified by the Authority. Every Insurer transacting life insurance business shall constitute a With-Profits Committee comprising of an Independent Director, CEO, CFO, Appointed Actuary and an Independent Actuary. The insurer may add more experts with expertise in the areas of Actuarial, Finance, Investment or any other relevant domain in the With-Profits Committee.
- (b) Functions of the With-Profits Committee shall be in accordance with the provisions of Master Circular on Actuarial, Finance and Investment Functions of Insurers.

#### **4.8 Ethics Committee (not mandatory)**

Functions and Responsibilities of the Ethics Committee shall include:

- (A) Monitoring the compliance function and the insurance company's risk profile in respect of compliance with external laws and regulations and internal policies, including its code of ethics or conduct.
- (B) Receiving reports on the above and on proactive compliance activities aimed at increasing the insurance company's ability to meet its legal and ethical obligations, on identified weaknesses, lapses, breaches or violations and the controls and other measures in place to help detect and address the same.
- (C) Supervising and monitoring matters reported using the insurer's whistle blowing or other confidential mechanisms for employees and others to report ethical and compliance concerns or potential breaches or violations.

Advising the board on the effect of the above on the insurer's conduct of business and helping the board set the correct "tone at the top" by communicating, or supporting the communication, at all levels of the insurer of the importance of ethics and compliance.

- (D) Approving compliance programmes, reviewing their effectiveness on a regular basis and signing off on any material compliance issues or matters.
- (E) Ensuring that the board approved Code of Conduct is followed, expectations of operational transparency to stakeholders are met and at the same time maintaining confidentiality of information to foster a culture of good decision-making

#### **4.9 Meetings, Appointment/ Removal of Members and Quorum**

- (a) The mandatory Committees, except Nomination and Remuneration Committee, the Corporate Social Responsibility Committee and the With-Profits Committee shall meet at least four times in a year and not more than four months shall elapse between two successive meetings of such Committees.
- (b) The quorum shall be two members or one-third of the members of the Committee, whichever is greater. In case of, independent director(s) is/ are mandated to be in any of the Committees, at least one such independent director or his alternate director, should necessarily be present to form the quorum. However, where the Independent Director is mandated to chair the committee, the meeting cannot be conducted in his absence.
- (c) The conditions specified in Section 161(2) of the Companies Act shall be applicable even while appointing an alternate director to an independent director in any of the Committees.
- (d) In relation to appointment / removal of members of the committees, the insurer shall comply with the procedure laid down under the Companies Act, SEBI Act, rules, regulations, circulars etc., issued thereunder, as applicable and such other requirements, if any, specified by the Authority.

#### **4.10 Transition provision**

Insurers are permitted to constitute the committees (wherever changes are applicable) in accordance with the provisions of this circular within a period of six months from the date of issue of this circular.

### **5. Key Management Persons**

#### **5.1 Responsibilities of KMPs**

Responsibilities of Key Management Persons include, but not limited to, the following:

- (a) carrying out the day-to-day operations of the insurer effectively and in accordance with the insurer's corporate culture, business objectives and strategies for achieving those objectives in line with the Insurer's long term interests and viability;
- (b) promoting sound risk management, compliance and fair treatment of customers; and

- (c) providing the Board adequate and timely information to enable the Board to carry out its duties and functions including the monitoring and review of the performance and risk exposures of the insurer, and the performance of KMPs.

## 5.2 CEO/ Managing Director/ Whole-Time Director

- (a) The Chief Executive Officer/ Whole Time Director/ Managing Director of the insurer and other key functionaries are responsible for the operations and day to day management of the insurer in line with the directions of the Board and the Committees set up by the Board.
- (b) The Authority expects the CEO to be responsible for the conduct of the insurer's affairs in a manner which is not detrimental to the interests of policyholders, and which is consistent with the policies and directions of the Board.
- (c) The Board should, therefore, carry out effective due diligence to establish that the new incumbent is 'fit and proper' before recommending the name for Authority's approval.
- (d) The Insurance Act also prohibits the Managing Director or other Officer of a life insurance company from being a Managing Director or Other Officer of any other Life insurance company or of a Banking company or an Investment Company.
- (e) In case the CEO resigns, the Authority should be kept informed of such resignation and the reasons therefor. As the appointment of the CEO is made with the prior approval of the Authority, the Board should take proactive steps to decide on the continuance of CEO well in time before the expiry of his tenure or to identify the new incumbent, in accordance with the succession plan adopted.
- (f) All insurers are required to obtain and maintain the particulars of their respective 'Key Management Persons as specified in **Annexure 5**.
- (g) The Authority requires the proposal to be submitted with the approval of the Board at least a month before the completion of the tenure of the incumbent. The application to the Authority in Form A (**Annexure 1**) shall be accompanied with information as prescribed in Form B and Form C as indicated in **Annexure 1** of this master circular.
- (h) A checklist of due diligence to be conducted by the Board Nomination and Remuneration Committee before recommending consideration of appointment of a person as a Managing or Whole-time Director is attached (Form A of **Annexure 1** & Form B of **Annexure 1**). The Form 'C' which is required to be submitted to the Authority for considering approval to the appointment of Managing/Whole-time Director is also attached (**Annexure 1**).
- (i) In case of insurers, where the appointment of MD/CEO/WTD is governed by the specific acts/rules/regulations/instructions of the Government of India, such insurers do not require prior approval of the Authority.

## 6. Chief Compliance Officer (CCO)

- (a) Compliance functions within insurers are vital for ensuring adherence to regulations and ethical standards. To achieve this, insurers must establish a robust compliance culture, an independent corporate compliance function, and a comprehensive compliance risk management program.
- (b) This function is led by a Chief Compliance Officer (CCO) chosen through a rigorous process, emphasizing suitability and competence. Insurers must have a board-approved compliance policy, covering areas like compliance culture, risk management, and reporting mechanisms.
- (c) The CCO, appointed for a minimum fixed tenure of three years, plays a crucial role in overseeing compliance, with direct reporting lines to the Board/Board Committee.
- (d) The CCO, ideally a senior executive with extensive experience in insurance or financial services, must have a deep understanding of industry regulations and risk management. The compliance function's responsibilities include advising the board and senior management on regulations, conducting compliance risk assessments, adherence to Anti Money Laundering (AML) / Counter Financing of Terrorism (CFT) guidelines and promptly reporting compliance failures. Importantly, the CCO should not have any reporting relationship with business verticals, ensuring independence.

## 7. External Audit - Appointment of Statutory Auditors

- (a) The Authority may issue directions/ guidelines/ circulars on appointment, continuance or removal of auditors of an insurer, which may include prescriptions on qualification and experience of auditors, their rotation, period of appointment, etc.
- (b) The detailed norms as regards appointment of auditors and the reporting to the Authority are given in **Annexure 6**. The Board shall therefore ensure that the statutory auditors are compliant with the regulatory requirements and there are no conflicts of interest in their appointment.
- (c) The auditors should possess the competence and integrity to alert the appropriate authorities promptly of any event that could seriously affect the insurance company's financial position or the organization structure of its administration or accounting and of any criminal violations or material irregularities that come to his notice.
- (d) The Audit Committee should have discussions with the statutory auditors periodically about internal control systems, the scope of audit including the observations of the auditors (where applicable) and review the quarterly/half yearly and annual financial statements, as the case may be, before submission to the Board of Directors and also ensure compliance with the internal control systems. The

statutory auditors should also have access to the Board of Directors through the Audit Committee.

## **8. Disclosure Requirements**

**8.1** The Board shall ensure that the information on the following, including the basis, methods and assumptions on which the information is prepared and the impact of any changes therein are also disclosed in the annual accounts:

- (a) Quantitative and qualitative information on the insurance company's financial and operating ratios, viz. incurred claim, commission and expenses ratios.
- (b) Actual solvency margin details vis-à-vis the required margin
- (c) Insurers engaged in life insurance business shall disclose persistency ratio of policies sold by them
- (d) Financial performance including growth rate and current financial position of the insurance company
- (e) Description of the risk management architecture
- (f) Details of number of claims intimated, disposed of and pending with details of duration
- (g) All pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the insurance company shall be disclosed in the Annual Report
- (h) Elements of remuneration package (including incentives) of MD & CEO and all other directors and Key Management Persons
- (i) Payments made to group entities from the Policyholders Funds
- (j) Any other matters, which have material impact on the insurer's financial position.

## **8.2 Disclosures about Meetings of the Board and its Committees**

- (a) Insurers shall ensure compliance with the provisions of the Companies Act and the Secretarial Standards issued by the ICSI from time to time as regards conduct of the meetings of the Board of Directors and their committees.
- (b) In addition to the above, all insurers shall disclose the following in the Director's Report:
  - (i) Number of meetings of the Board of Directors and Committees mandated under this Master Circular, in the financial year
  - (ii) Details of the composition of the Board of Directors and Committees mandated, setting out name, qualification, field of specialization, status of directorship held etc.

- (iii) Number of meetings attended by the Directors and members of the Committee in the Corporate Governance Section of Annual Report
- (iv) Details of the remuneration paid, if any, to all directors (including Independent Directors)

## **9. Remuneration**

The contents under this clause 9 are applicable for private sector insurers only.

### **9.1 Remuneration of Non-Executive Directors of Insurers**

- (a) Non-Executive Directors of the company play a crucial role to the independent functioning of the board. They bring in external and wider perspective to the decision-making by the board. They provide leadership and strategic guidance, while maintaining objective judgment. They provide an independent view on the running of the business, governance and boardroom best practices. They oversee and constructively challenge management in its implementation of strategy within the Group's system of governance and the risk appetite set by the Board.
- (b) In view of the increased demands on non-executive directors' participation in board and committee meetings and the higher responsibilities they are expected to bear in the interest of higher level of excellence in corporate governance and in order to enable Insurer to attract and retain professional non-executive directors, it is essential that such directors are appropriately compensated.
- (c) The Board of Directors, in consultation with its Nomination and Remuneration Committee, shall formulate and adopt a comprehensive remuneration policy for the Non-Executive Directors. While formulating such policy, the Board shall ensure compliance with the provisions of the Companies Act, 2013, as amended from time to time.
- (d) Total remuneration, however, shall not exceed Rupees Thirty lakh per annum for each Non-Executive director. If the Chairperson of the company is a Non-Executive Director, the remuneration may be proposed by the Board of Directors of the insurer and, the remuneration policy shall specify the details of the remuneration and incentives to be paid to him/ her. The remuneration of the chairperson shall be subject to prior approval by the Authority.
- (e) Non-Executive Directors shall not be eligible for any share-linked benefits. Further, no share-linked benefits shall be offered to Non-Executive Directors even by virtue of their position in any of the group entities.
- (f) In addition to the directors' remuneration mentioned above, the Insurer may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.
- (g) Insurers shall disclose the amount of remuneration paid to each Non-Executive/ Independent directors, in the Notes to the Accounts forming part of Annual



Financial Statements. In case no remuneration is paid during a year, the same shall be specifically disclosed.

## 9.2 Remuneration of Key Managerial Persons of Insurers

- (a) Insurers shall formulate and adopt a comprehensive Board approved remuneration policy covering all the Key Managerial Persons. The policy shall not encourage Key Managerial Persons to take inappropriate or excessive risks for their performance based variable remuneration. The policy shall cover all aspects of the remuneration structure including Fixed Pay including allowances, perquisites, retirement Benefits, Variable Pay including incentives, bonus, share linked instruments, Joining / Sign on bonus, etc. All the details of the remuneration policy shall be incorporated in a single document. The remuneration policy shall be reviewed annually by the Nomination and Remuneration Committee.
- (b) Nomination and Remuneration Committee of the insurer in consultation with the Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of the remuneration policy. It shall ensure that,
  - (i) Remuneration is adjusted for all types of risk,
  - (ii) Remuneration outcomes are symmetric with risk outcomes,
  - (iii) Remuneration pay-outs are sensitive to the time horizon of the risk, and
  - (iv) The mix of cash, equity and other forms of remuneration are consistent with risk alignment.
- (c) A wide variety of measures of credit, market and liquidity risks may be used by the insurers in implementation of risk adjustment. The risk adjusted methods shall preferably have both quantitative and qualitative elements.
- (d) The minimum parameters which shall be taken into account for determination of performance assessment of all KMPs for payment of variable pay or incentives are:
  - (i) Overall financial soundness such as Net-Worth position, solvency, growth in Assets Under Management, Operating Profit/Net Profit, Embedded Value, Value of New Business including any other indicator that reflects the overall financial soundness;
  - (ii) Compliance with Expenses of Management Regulations;
  - (iii) Claim efficiency in terms of settlement and outstanding;
  - (iv) Improvement in grievance redressal status;
  - (v) Reduction in Unclaimed Amounts of policyholders;
  - (vi) Persistency- 37th Month to 61st Month (in case of life insurers); Renewal Rate in case of General insurers and Stand Alone Health insurers; and

- (vii) Overall Compliance status with respect to all applicable laws.

The above parameters from (i) to (vii) shall constitute at least 60% of the total weightage in the performance assessment matrix of MD/CEO/WTDs; and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually. The weightage for each of the parameters may be configured suitably for MD/CEO/WTDs and other KMPs depending on their respective roles. Insurers may define additional parameters also which shall be in line with the business plan of the Insurer. These parameters shall be spelt out in the remuneration policy.

- (e) Apart from the performance assessment for payment of incentives and variable pay, these parameters shall also form the basis for revision of the Fixed Pay.
- (f) Annual Remuneration<sup>1</sup> shall be the aggregate of Fixed Pay (including monetary and non-monetary perquisites) and Variable Pay, for a particular financial year.
  - (i) Fixed pay: Insurers are required to ensure that the fixed portion of remuneration is reasonable taking into account all the relevant factors including adherence to statutory requirements. Fixed Pay shall include Basic pay, allowances, perquisites, contribution towards superannuation/retirement benefits and all other fixed items of compensation.
  - (ii) Variable pay
    - (A) Variable pay shall be in the form of share linked instruments<sup>2</sup> or a mix of cash and share linked instruments. Cash linked stock appreciation rights (CSARs) are also to be treated as share linked instruments.
    - (B) Variable pay includes incentives, bonus, share linked instruments etc. The Variable pay shall be performance-based using measures of individual, unit or group performance that do not create incentives for inappropriate risk taking. Performance based incentives shall be aligned with long term value creation and the time horizon of risks to which the insurer may be exposed. Any variable pay or performance incentive shall be paid/ granted to any KMP only once during a financial year.

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<sup>1</sup> “Remuneration” means any money or its equivalent given or passed on to a KMP for the services rendered by him/her; and includes perquisites as defined under the Income-tax Act, 1961.

<sup>2</sup> “Share linked instruments” means (i) employee stock option schemes;(ii) employee stock purchase schemes; and (iii) stock appreciation rights schemes, for the purpose of these guidelines.

- (C) Variable Pay shall be at least 50% of the Fixed Pay for the corresponding period and shall not exceed 300% of the Fixed Pay. Where variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay shall be via share-linked instruments. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay.
- (D) A minimum of 50% of the total variable pay must invariably be under deferral arrangements and the deferral period shall be a minimum of three years. The first such vesting shall accrue after one year from the commencement of the deferral period. Vesting shall be no faster than on a pro rata basis and shall not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex-post adjustments. Where variable pay is mix of cash and share linked instruments and such cash component of variable pay is Twenty-Five lakhs or under, no deferral requirement for the cash component would be necessary.
- (g) The remuneration of KMPs of insurers who are on deputation from their PSU promoter(s) are allowed to be governed by their respective remuneration rules/guidelines of their PSU promoter(s).
- (h) The remuneration of the KMPs of insurers who are on deputation from their foreign promoter(s) are allowed to be governed by their respective remuneration rules/guidelines of their foreign promoter(s).
- (i) In case of an insurer which is not listed, the fair value of the equity shares certified by a Category 1 merchant banker registered with SEBI shall be considered for the purpose of benefit calculations.
- (j) The insurer which is not listed may issue the ESOPs of their Indian promoter (whether listed or unlisted) company provided that such cost shall be borne by the respective insurer only.
- (k) In case of an insurer which is not listed and issues its shares towards ESOP, the total number of ESOPs granted by the insurer in a year shall not exceed 1% of the paid up equity shares of the insurer and the total number of shares held by employees, including KMPs, shall not exceed 5% of the paid-up equity shares at any point of time.
- (l) For a listed insurer, Share-Linked Instruments shall be reckoned at the fair value as on the date of grant. The norms for grant, valuation and disclosure of share-linked instruments shall be framed by the insurers in conformity with the relevant statutory provisions and applicable guidelines and shall form part of the insurers' remuneration policy.
- (m) KMPs of insurers shall not be issued/granted any sweat equity shares.

- (n) The deterioration in the financial performance of the Insurer and the other defined parameters as per the remuneration policy shall lead to a contraction in the total amount of variable pay which may even be reduced to zero.
- (o) In case of retirement / resignation / death of a KMP(s) prior to the deferral period, the deferred pay may be paid as per the employment contract agreed between the insurer and the KMPs. In case of reappointment on retirement, the deferred pay due at the time of retirement (i.e., prior to reappointment) shall be paid only for the respective years to which it is originally deferred.
- (p) In case of termination from the services as per the directives of court / tribunal / other competent Authorities, or termination by the insurer in case of fraud/criminal offences etc., the deferred pay shall be forfeited.

### 9.3 Malus and Claw-back:

- (a) Variable Pay shall be subject to Malus and Claw-back provisions and these provisions shall also form part of the Board approved remuneration policy. In case of deferred remuneration, in the event of any negative trend in the defined parameters and/or the relevant line of business in any year during the vesting period, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. However, while exercising such provisions, due consideration may be given to the actual / realized performance of the insurer.
- (b) A malus arrangement permits the insurer to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred. A claw-back, on the other hand, is a contractual agreement between the KMP and the insurer in which the KMP agrees to return previously paid or vested remuneration to the insurer under certain circumstances.
- (c) Insurers are required to put in place appropriate modalities to incorporate malus / claw-back mechanism in respect of Variable Pay, taking into account relevant statutory and regulatory stipulations as applicable. The remuneration policy of the insurer shall confirm existence of Malus and Claw-back clauses in the employment contract and it shall identify a representative set of situations, which require insurers to invoke the malus and claw-back clauses which may be applicable to the entire Variable Pay. When setting criteria for the application of malus and claw-back, insurers shall also set a period during which malus or claw-back can be applied, covering at least the deferral period. Gross negligence, integrity breach, materially inaccurate financial statements due to the result of misconduct including fraud, poor compliance in respect of corporate governance and regulatory matters, etc., by the KMPs shall invite immediate and prompt action of the board and the management.
- (d) For legal enforceability, the malus and claw-back system shall be driven by observable and verifiable measures of risk outcomes. Insurers shall put appropriate mechanism in place to incorporate malus and claw-back provisions in respect of variable pay linked to the defined parameters, in the employment contracts of all KMPs.

#### 9.4 Guaranteed bonus, Joining / Sign on Bonus and Severance Pay

- (a) Guaranteed bonuses are inconsistent with sound risk management or the pay-for-performance principles and hence shall not be part of remuneration plan.
- (b) Joining / sign on bonus shall only occur in the context of hiring new personnel and be limited to the first year of employment. Such bonus will neither be considered as a part of fixed pay nor as a part of variable pay.
- (c) Insurers shall not grant Severance Pay other than accrued benefits like gratuity pension, etc., to Key Managerial Persons except in cases where it is mandatory under any applicable provision of the statute. It is clarified that Severance Pay does not include notice period pay.

#### 9.5 Reporting and Disclosures:

The following disclosures are mandated in the notes to the accounts forming part of the Annual Report.

- (a) Qualitative disclosure
  - (i) Information relating to the composition and mandate of the Nomination and Remuneration Committee
  - (ii) Information relating to the design and structure of remuneration processes and the key features and objective of remuneration policy
  - (iii) Description of the ways in which current and future risks are taken into account in the remuneration processes.
  - (iv) Description of the ways in which the insurer seeks to link performance during a performance measurement period with levels of remuneration.
- (b) Quantitative disclosure
  - (i) Complete details of remuneration awarded for financial year to MD/CEO/WTD to be disclosed in the note to accounts as per the format provided (**Annexure 7**)
  - (ii) The insurers shall ensure compliances as specified in the Companies Act, 2013 and SEBI regulations/guidelines, as applicable.
- (c) Accounting, renewal and disclosure of remuneration
  - (i) The cost of remuneration paid to MD/CEO/WTD/KMPs shall be borne by the respective insurer only. However, in case of deputations from PSU/Foreign Promoters, the cost may be borne by their respective promoters according to their remuneration rules/guidelines.

- (ii) In case the Annual Remuneration of MD/CEO/WTD and other KMPs individually exceeds Rupees Four Crore, such excess shall be borne by the shareholders and debited to Profit and Loss Account.
- (iii) Liability in the respective books of accounts shall be created in respect of deferred remuneration of the reporting financial year.
- (iv) Deferred remuneration pertaining to previous financial years and paid in the reporting financial year shall not be debited to Revenue Account / Profit and Loss Account as the same shall be adjusted against the liability outstanding in the books of accounts at the beginning of the year.
- (v) In case of forfeiture of deferred pay, the corresponding liability outstanding shall be reduced accordingly.
- (vi) In case of recovery of earlier paid remuneration, if any, the same shall be credited to Revenue Account / Profit and Loss Account, as the case may be.

(d) Additional information required

Following additional information has to be provided to the Authority on annual basis by 30th June of the next financial year. The formats for submission of the information shall be as specified in the Master Circular on Submission of Returns:

- (i) Complete details of remuneration awarded for financial year to all KMPs.
- (ii) Details of outstanding deferred remuneration of all KMPs at the end of the financial year mentioning name, designation, financial year (remuneration pertaining to), nature of remuneration and the amount outstanding.
- (iii) Complete details of reduced / cancelled / recovered remuneration of all KMPs during the year.

**9.6 Approval and Renewal of Remuneration:**

- (i) Appointment/Re-appointment or modification in the remuneration, if any, of MD/CEO/WTDs requires prior approval of the Authority in terms of Section 34 A of the Insurance Act, 1938.
- (ii) The applications relating to appointment, reappointment of MD/CEO/WTD may be submitted to the Authority at least six months in advance from the expected date of taking over by new incumbent or the last day of the present incumbent's tenure. The remuneration proposals are to be submitted to the Authority within first three months of the performance year.

In respect of remuneration of the MD/CEO/WTDs, no revision shall be permitted by the Authority before the expiry of one year from the date of earlier approval.

## **10. Interaction with the Authority**

**10.1** In assessing the corporate governance practices adopted by insurers, the Authority may:

- (a) Seek confirmation that the insurance company has adopted and effectively implemented sound corporate governance policies and practices;
- (b) Assess the fitness and propriety of board members;
- (c) Monitor the performance of boards;
- (d) Assess the quality of insurance company's internal reporting, risk management, audit and control functions;
- (e) Evaluate the effects of the insurance company's group structure on the governance strategies;
- (f) Assess the adequacy of governance processes in the area of crisis management and business continuity.

**10.2** The Authority may bring to the attention of the Board and senior management, concerns which have been detected by it through supervisory activities.

## **10.3 Reporting to the Authority**

- (a) All insurers are required to file a report on status of compliance with this Master Circular on an annual basis. This report shall be filed within 3 months from the end of the financial year, i.e., before 30<sup>th</sup> June. The format for reporting status of compliance shall be as specified in the Master Circular on Submission of Returns.
- (b) Annual Report of insurers shall have a separate certification from the Chief Compliance Officer in the format at **Annexure 9**.

## **11. Whistle Blower Policy**

**11.1** Insurers shall put in place a "whistle-blower" policy, where-by mechanisms exist for employees to raise concerns internally about possible irregularities, governance weaknesses, financial reporting issues or other such matters. These could include employee reporting in confidence directly to the Chairperson of the Board or of a Committee of the Board or to the Statutory Auditor.

**11.2** The Whistle-blower Policy shall inter alia cover the following aspects:

- (a) Awareness of the employees that such channels are available, how to use them and how their report will be handled.
- (b) Handling of the reports received confidentially, for independent assessment, investigation and where necessary for taking appropriate follow-up actions.
- (c) A robust anti-retaliation policy to protect employees who make reports in good faith.

(d) Briefing of the board of directors.

**11.3** The Appointed Actuary and the statutory/ internal auditors have the duty to ‘whistle blow’, i.e., to report in a timely manner to the Authority if they are aware that the insurance company has failed to take appropriate steps to rectify a matter which has a material adverse effect on its financial condition. This would enable the Authority to take prompt action before policyholders’ interests are undermined.

## **12. Stewardship Principles**

Insurers should formulate a policy for Stewardship based on the principles indicated below and get the approval of their Boards for implementation of the same. The principles and the guidance for the implementation are given below:

(a) Principle 1 –

*Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.*

Guidance

- (i) Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.
- (ii) The Stewardship policy should identify and define the stewardship responsibilities that the insurer wishes to undertake and how it intends to fulfill the same to enhance the wealth of its clients. The policy should be approved by the Board of the insurer and should bring out how the insurer applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.
- (iii) While the Boards of an insurer could decide to engage in all cases, it may also decide to selectively intervene based on its extent or level of investment. In such case, the policy should clearly identify the threshold (level of investment or any other criteria as may be determined by the Board) for intervention.
- (iv) The policy should clearly state whether the insurer intends to use the services of external service providers such as institutional advisors. In case services of any external service providers are used, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised diligently. Though core function of investment cannot be outsourced, professional advices to arrive at voting decisions and research reports like Market survey data, Industry wide analysis, Business valuation, etc. may be sought from external agencies. The policy should clearly provide that the ultimate stewardship responsibilities shall be discharged by the insurer.



- (v) The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the insurer's website.

(b) Principle 2 –

Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Guidance

- (i) The stewardship policy put in place by the insurers should also cover the aspects of identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should identify scenarios of likely conflict of interest as envisaged by the Board and should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.
- (ii) Aspects covered in the stewardship policy with regard to conflict of interest may, among other issues, address the following:
  - (A) Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being associates of the entity.
  - (B) Procedures put in place by the entity in case such conflicts of interest situations arise which may, inter alia, include:
    - Blanket bans on investments in certain cases.
    - Referring such matters to Audit Committee.
    - Clear segregation of voting function and client relations / sales functions.
    - Policy for persons to recuse from decision making in case of the person having any actual / potential conflict of interest in the transaction.
    - Maintenance of records of minutes of decisions taken to address such conflicts.

(c) Principle 3

Insurers should monitor their investee companies

Guidance

- (i) Insurers should have mechanisms for regular monitoring of their investee companies in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.

- (ii) Insurers may or may not wish to have more participation through nominations on the Board for active involvement with the investee companies. An insurer who may be willing to have nominations on the Board of an investee company should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.
- (iii) Aspects covered in the stewardship policy with regard to monitoring shall address the following:
  - (A) 1. Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis-a-vis companies where amount invested is insignificant from the point of view of its assets under management (AUM).
  - (B) 2. Areas of monitoring which shall, inter-alia, include:
    - Company strategy and performance - operational and financial.
    - Industry level monitoring and possible impact on the investee companies.
    - Quality of company management and Board, leadership.
    - Corporate governance including remuneration, structure of the Board (including Board diversity and independent directors) and related party transactions.
    - Risks including Environmental, Social and Governance (ESG) risks. f. Shareholder rights and their grievances.
  - (C) Identification of situations which may trigger communication of insider information and the procedures adopted to ensure SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended time to time are complied with in such cases.
- (d) Principle 4

*Insurers should have a clear policy on intervention in their investee companies*

#### Guidance

- (i) Insurers may decide their own engagement strategy and the stewardship policy should clearly set out the criteria/ circumstances in which they will actively intervene. The policy should provide for regular assessment of the outcomes of intervention by the insurer. Intervention should be considered regardless of whether an active or a passive investment policy is followed. Circumstances for intervention may, inter alia, include but not limited to, poor financial performance of the company, corporate governance related

practices, remuneration, strategy, Environmental, Social and Governance (ESG) risks, leadership issues and litigations.

- (ii) The mechanisms for intervention may include meetings / discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the Boards, collaboration with other investors and voting against decisions. Various levels of intervention and circumstances in which escalation is required may be identified and disclosed in the stewardship policy. This may also include interaction with the companies through the insurance councils in case of any industry level issues. Investment Committee of the insurer has to consider which mechanism to be opted and escalation of matters in specified cases.

(e) Principle 5

Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed

Guidance

- (i) For issues that require larger engagement with the investee company, insurers may choose to act collectively with other institutional investors in order to safeguard the interests of their investors. In such situations, the stewardship policy should guide their actions and extent of engagement.

(f) Principle 6

Insurers should have a clear policy on voting and disclosure of voting activity

Guidance

- (i) Insurers should exercise their own independent judgment as regards voting decisions on resolutions and should not automatically support the proposals of the Board of the investee company. The decisions should be aimed at promoting the overall growth of the investee companies and, in turn, enhance the value of their investors.
- (ii) The stewardship policy should cover the aspects of voting activity. Audit Committee will monitor oversight on voting mechanism. Insurers should disclose their approach to stock lending and recalling lent stock in their stewardship policy.
- (iii) Insurers should mandatorily undertake active participation and voting on resolutions/proposals of the investee companies under the following circumstances:

Size of the AUM of the Insurer (Rs. Cr)	Compulsory voting required, if the Insurer's holding of the paid up capital of investee company (in percentage) is
Up to 2,50,000	3% and above
Above 2,50,000	5% and above

- (iv) In other cases, insurers may voluntarily participate and vote if such resolutions/proposals are considered significant and may have an impact on the value of investments of the insurer.
- (v) Disclosures have to be made by the insurers regarding the voting activity in the investee companies in which the insurers have actively participated and voted on resolutions/proposals. The disclosures will form part of Public Disclosures on website and have to be made on quarterly basis as per the timelines prescribed for quarterly public disclosures on website, in the given format at Annexure 8.

(g) Principle 7

*Insurers should report periodically on their stewardship activities*

Guidance

- (i) In addition to the regular fulfilment of their stewardship activities, insurers should also provide a periodic report to their ultimate beneficiaries (policyholders) of how they have discharged their responsibilities, in a format which is easy to understand, as a part of public disclosures.
- (ii) Compliance and Reporting: The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries. The Board shall ensure that there is effective oversight on the insurer's stewardship activities and the Audit Committee of the Board shall exercise the same. All insurers shall comply with all the principles given in this circular and submit an Annual Certificate of Compliance approved by the Board to the Authority duly certified by CEO and Compliance Officer on or before 30m June every year. The format for the certificate in this regard shall be as specified in the Master Circular on Submission of Returns.

(Refer clause 2.1 (f) and 5.2 (g) (h))

**Form for seeking approval of the Authority for appointment of Managing/Whole-time  
Directors / CEO / Chairperson**

**Form A**

Sr. No.	Particulars	
1	State who is the competent authority to make the appointment / re-appointment in question and to fix the terms thereof. In case it is the Board of Directors, please quote the number of the relevant Article (A certified copy of the resolution (also mentioning the date thereof) of the competent authority, the General Body or the Board of Directors, as the case may be authorizing the appointment. re-appointment should be furnished along with the application. If the resolution is in vernacular, a certified copy thereof as translated into English may preferably be supplied)	
2	Full name of the person to be appointed / re-appointed:	
3	His present designation	
4	Insurance and / or other professional experience stating the name/s of the institution/s the position/s held therein and the approximate period of such experience	
5	State the name of the companies with their nature of business, in which the person also holds the position of Director / Managing Director / Chairperson.	
6	Terms of appointment / re-appointment  (a) Whether the appointment/ re-appointment will be under a contract or agreement (If so, a copy of the draft contract or agreement should be furnished together with a copy of existing contract or agreement, if any)  (b) Period of appointment / re-appointment if any fixed (the period of appointment / re- appointment should not exceed more than 5 years).  (c) Details of remuneration: The particulars should be furnished in the enclosed Form "C"	
7	State whether  (a) The insurance company complies with the provision of Section	

Sr. No.	Particulars	
	32(A) (1) of Insurance Act, 1938  (b) In case the appointee is an expatriate, the work permit from the Ministry of Home, Govt. of India has been taken (a certified copy of the work permit to be enclosed)	
8	Position in regard to compliance with such provisions of the Companies Act as are attracted particularly Sections 164 (disqualification of Directors), Section 188 (office or place or profit) and Section 196 (except Central Government approval). Please state the position with reference to each Section separately.	
9	Any additional facts which the insurance company may like to state in support of the application or otherwise.	

For \_\_\_\_\_

(Name of the Insurance Company)

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Designation)

**Form B**

Name of the Insurance Company: \_\_\_\_\_

Declaration and Undertaking by Managing Director / Whole-time Director / CEO / Chairperson (with enclosures as appropriate as on _____)	
<b>I. Personal Details of Director / CEO / Chairperson</b>	
a.	Full Name
b.	Date of Birth
c.	Educational Qualifications
d.	Relevant Background and Experience
e.	Permanent Address
f.	Present Address
g.	E-mail Address/ Telephone Number
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
i.	Relevant knowledge and experience
j.	Any other information relevant to appointment
k.	In case of foreign national, the whether Residential Permit has been issued by the Ministry of Home. If no, then reason thereof.
<b>II. Relevant Relationships of Managing Director / Whole-time Director / Chief Executive Officer / Chairperson</b>	
a.	No. of shares held by the Managing Director/ Chief Executive Officer / Chairperson
b.	List of entities if any in which he /she is considered as being interested (Refer Section 184 and 2(49) of the Companies Act)

c.	Name of the Insurance Company in which he / she is or has been a member of the Board (Give details of period during which such office was held)	
d.	Fund and non-fund facilities, if any, presently availed by him / her and / or by entities listed in II (b) and (c) above from the Insurance Company.	
III.	Records of professional achievements	
a.	Professional achievements	
IV.	Proceeding, if any, against the Managing Director/ Whole-time Director / Chief Executive Officer / Chairperson	
a.	If the Managing Director / Whole-time Director / CEO / Chairperson is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry of at any profession/ occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the Managing Director / Whole-time Director / CEO / Chairperson.	
c.	Whether the Managing Director / CEO / Chairperson attracts any of the disqualifications envisaged under Section 164 of the Companies Act	
d.	Has the Managing Director / Whole-time Director / CEO / Chairperson or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
e.	Has the Managing Director / Whole-time Director / CEO / Chairperson at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise/ income tax / foreign exchange / other revenue authorities, if so	



	give particulars	
f.	Whether the Managing Director / Whole-time Director / CEO / Chairperson at any time come to the adverse notice of a regulator such as SEBI, DCA, RBI	
V.	Any other explanation/ information in regard to items I to III and other information considered relevant for judging fit and proper	

### **Undertaking**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the insurance company fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided to above.

I also undertake to executive the deed of covenant required to be executed by all directors of the insurance company.

Place: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of proposed appointee

Signature of Chief Compliance Officer

**Form C**

Details of Remuneration of the Chief Executive Officer / Managing director /Whole-time Director / Chairperson

<b>Remuneration etc</b>	<b>Existing</b>	<b>Proposed</b>	<b>Reasons for Change</b>
(1)	(2)	(3)	(4)
<p>Remuneration:</p> <ol style="list-style-type: none"> <li>1. Salary</li> <li>2. Dearness Allowance</li> <li>3. House rent allowance</li> <li>4. Conveyance allowance</li> <li>5. Entertainment allowance</li> <li>6. Other allowances, if any (please specify)</li> </ol>			
<p>Perquisites:</p> <ol style="list-style-type: none"> <li>1. Free furnished house</li> <li>2. Free use insurance company's car for               <ol style="list-style-type: none"> <li>(i) Official purposes</li> <li>(ii) For private purposes on compensating the company with suitable amount</li> </ol> </li> <li>3. Provident Fund / Gratuity / Pension</li> <li>4. Traveling and Halting Allowance</li> <li>5. Medical benefits</li> <li>6. Other benefits, if any (please specify)</li> </ol>			

Remuneration etc	Existing	Proposed	Reasons for Change
Bonus  1. Performance Bonus  2. Annual Bonus  3. Employee Stock Options  4. any other incentive			

**Notes:**

- (1) If any of the benefits is of a non-monetary nature, e.g. free furnished house, its monetary equivalent as best as it is possible to determine should be given. In case the person to be appointed is already associated with the applicant company, particulars of his existing remuneration, etc. should be furnished
- (2) In case of performance bonus, please ensure that the amount paid each year is specifically approved by the Board of Director by passing a separate resolution for the payment of bonus.
- (3) The shares of the listed promoter/ offered as ESOPs to the CEO/ MD/ Whole-time Director / Chairperson / of the insurance company shall be governed by the provisions Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended.
- (4) If the company proposes to increase the emoluments and / or other benefits/ perquisites, the reasons therefore may be explained suitably under column no. (4)

(Refer clause 2.3(a))

**Role and Responsibilities of the Board of Directors**

- 1) Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the policyholders, taking into account the interests of stakeholders.
- 2) The Board should apply high ethical standards.
- 3) The Board should ensure that the Governance principles set for the insurer comply with all relevant laws, regulations and other applicable codes of conduct.
- 4) The Board should inter-alia set the following policies in consultation with the Management of the insurer.
  - a) Define and periodically review the business strategy.
  - b) Define the underwriting policy of the insurer.
  - c) Determine the retention and reinsurance policy and in particular, the levels of retentions of risk by the insurer and the nature and extent of reinsurance protection to be maintained by the insurer.
  - d) Define the policy of the insurer as regards investment of its assets consistent with an appropriate asset liability management structure.
  - e) Define the insurer's policy on appointments and qualification requirements for human resources and ensure that the incentive structure does not encourage imprudent behaviour.
- 5) The Board should define and set the following standards: -
  - a) Define the standards of business conduct and ethical behaviour for directors and senior management.
  - b) Define the standards to be maintained in policyholder servicing and in redressal of grievances of policyholders.
- 6) The Board would be responsible to provide guidance for implementation of business strategy and review the same periodically.
- 7) As an integral part of proper implementation of the business strategy, the Board should take action as under: -
  - a) Establish appropriate systems to regulate the risk appetite and risk profile of the insurer. It will also enable identification and measurement of significant risks to which the insurer is exposed in order to develop an effective risk management system.

- b) Ensure that all directions of Authority are submitted to the Board and the recommendations are implemented as per the Board philosophy.
  - c) Ensure that the IT systems in the insurer are appropriate and have built-in checks and balances to produce data with integrity and put in place a business continuity and disaster recovery plan.
  - d) Ensure that the insurer has put in place a robust compliance system for all applicable laws and regulations.
  - e) Prescribe requirements and frequency of reporting in respect of each of the above areas of responsibility as may be decided by the Board.
- 8) In discharge of the above and other Governance functions, the Board may delegate the responsibilities to mandated/ other recommended Empowered Committees of Directors while retaining its primary accountability.

(Refer clause 2.3(f))

**FORM OF DEED OF COVENANTS WITH A DIRECTOR**

THIS DEED OF COVENANTS is made this \_\_\_\_\_ day of \_\_\_\_\_ Two thousand \_\_\_\_\_ BETWEEN \_\_\_\_\_, having its registered office at \_\_\_\_\_ (hereinafter called the 'Insurance Company ') of the one part and Mr/Ms \_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the 'Director') of the other part.

**WHEREAS**

- A. The Director has been appointed as a Director on the Board of the Insurance Company (hereinafter called 'the Board') and is required as a term of his/her appointment to enter into a Deed of Covenants with the Insurance Company.
- B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:**

- 1) The Director acknowledges that his/her appointment as Director on the Board of the Insurance Company is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Insurance Company and the provisions of this Deed of Covenants.
- 2) The Director covenants with the Insurance Company that:
  - i) The Director shall disclose to the Board the nature of his/her interest, direct or indirect, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Insurance Company and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
  - ii) The Director shall disclose by general notice to the Board his/her other Directorships, his/her memberships of bodies corporate, his/her interest in other entities and his/her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
  - iii) The Director shall provide to the Insurance Company a list of his/her relatives as defined in the Companies Act and to the extent the Director is aware of

Directorships and interests of such relatives in other bodies corporate, firms and other entities.

- iv) The Director shall in carrying on his/her duties as Director of the Insurance Company:
  - a) use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;
  - b) in the performance of his/her duties, take such care as he/she might be reasonably expected to take on his/her own behalf and exercise any power vested in him/her in good faith and in the interest of the Insurance Company;
  - c) shall keep himself/herself informed about the business, activities and financial status of the Insurance Company to the extent disclosed to him/her;
  - d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as ' Board ') with fair regularity and conscientiously fulfill his/her obligations as Director of the Insurance Company;
  - e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Insurance Company;
  - f) shall bring independent judgment to bear on all matters affecting the Insurance Company brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
  - g) shall in exercise of his/her judgment in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgment; and
  - h) shall express his/her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/her independent judgment;
- v) The Director shall have:
  - a) fiduciary duty to act in good faith and in the interests of the Insurance Company and not for any collateral purpose;
  - b) duty to act only within the powers as laid down by the Insurance Company's Memorandum and Articles of Association and by applicable laws and regulations; and

- c) duty to acquire proper understanding of the business of the Insurance Company.
  - vi) The Director shall:
    - a) not evade responsibility in regard to matters entrusted to him/her by the Board;
    - b) not interfere in the performance of their duties by the whole-time Directors and other officers of the Insurance Company and wherever the Director has reasons to believe otherwise, he/she shall forthwith disclose his/her concerns to the Board; and
    - c) not make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to him/her by the Insurance Company in his/her capacity as Director of the Insurance Company only for the purposes of performance of his/her duties as a Director and not for any other purpose.
- 3) The Insurance Company covenants with the Director that:
  - i) the Insurance Company shall apprise the Director about:
    - a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
    - b) control systems and procedures;
    - c) voting rights at Board meetings including matters in which Director should not participate because of his/her interest, direct or indirect therein;
    - d) qualification requirements and provide copies of Memorandum and Articles of Association;
    - e) corporate policies and procedures;
    - f) insider dealing restrictions;
    - g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
    - h) appointments of Senior Executives and their authority;
    - i) remuneration policy,
    - j) deliberations of committees of the Board, and
    - k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the Insurance Company, delegation of authority, Senior Executives, etc.



and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

- ii) the Insurance Company shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a Directors of the Insurance Company and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof; The insurance company shall provide training on an on-going basis to enable the directors to discharge their role effectively.
  - iii) the disclosures to be made by the Insurance Company to the Directors shall include but not be limited to the following:
    - a) all relevant information for taking informed decisions in respect of matters brought before the Board;
    - b) Insurance Company's strategic and business plans and forecasts;
    - c) organisational structure of the Insurance Company and delegation of authority,
    - d) corporate and management controls and systems including procedures;
    - e) economic features and marketing environment,
    - f) information and updates as appropriate on Insurance Company's products;
    - g) information and updates on major expenditure;
    - h) periodic reviews of performance of the Insurance Company; and
    - i) report periodically about implementation of strategic initiatives and plans;
  - iv) the Insurance Company shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate the draft minutes of the meeting of Board to Directors in a timely manner and to the extent possible within fifteen days of the date of conclusion of the Board meeting; and
  - v) advise the Director about the levels of authority delegated in matters placed before the Board.
- 4) The Insurance Company shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.
- 5) The Insurance Company shall appoint a compliance officer who shall be a Senior Executive for reporting to the Board/respective Committees of the Board and be responsible for setting forth a framework on compliance responsibility and for implementation thereof. He/she shall also monitor adherence to the applicable laws and regulations and policies and

procedures including but not limited to directions of Insurance Regulatory and Development Authority and other concerned statutory and governmental authorities.

- 6) The Director shall not assign, transfer, sublet or encumber his/her office and his/her rights and obligations as Director of the Insurance Company to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Insurance Company.
- 7) The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
- 8) Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorized representative of the Insurance Company.
- 9) This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

**For the Insurance  
Company**

Name

Title

Signed and delivered

In the Presence of: \_\_\_\_\_

**Director**

Name:

Signed and delivered

In the presence of: \_\_\_\_\_

(Refer clause 2.4 (h))

**Declaration from the proposed/ existing Directors**

Name of the Insurance Company:

Declaration and Undertaking by Director
(with enclosures as appropriate as on _____(date))

**I. Personal details of director**

- a) Full Name
- b) DIN
- c) Date of Birth
- d) Educational qualifications
- e) Relevant Background, Knowledge and Experience
- f) Permanent Address
- g) Present Address
- h) E-mail Address and Telephone Number
- i) Permanent Account Number under the Income Tax Act and name and address of Income Tax circle where assessed
- j) Any other information relevant to Directorship of the Insurance Company

**II. Relevant relationships of Director**

- a) List of relatives, if any, who are connected with the insurer (refer Section 2(77) of the Companies Act)
- b) List of entities, if any, in which he/she is considered as being interested (Refer Section 184 of the Companies Act)

**III. Records of professional achievements**

- a) Relevant professional achievements
- b) Whether the director was associated as director or officer with any entity that was wound up or that was penalized for violation of any law.

**IV. Proceedings, if any, against the director**

- a) If the director is a member of a professional association/ body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of at any profession/occupation at any time.
- b) Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entries listed at II(b) and (c) above for violation of economic laws and regulations.
- c) Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
- d) Whether the director attracts any of the disqualifications envisaged under Section 164 of the Companies Act?
- e) Has the director or any of the entities at II (b) above been subject to any investigation at the instance of Government department or agency?
- f) Has the director at any time been found guilty of violation of rules/regulations/legislative requirements of customs/excise/income tax/foreign exchange/other revenue authorities? If so, give particulars
- g) Whether the director has at any time come to the adverse notice of a regulator such as SEBI, RBI, MCA? If so, give particulars.
- h) Any other explanation/information in regard to items I to III above and other information considered relevant for judging his/ her fit and proper compliance for directorship.

**V. Directorships or senior executive positions held by the director in other corporate bodies.**

**Undertaking**

I confirm that the above information is, to the best of my knowledge and belief, true and complete. I undertake to keep the insurer fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by the directors of the insurance company.

Place:

Signature of the Director

Date:

**VI. Remarks of Board of Directors of Insurer**

Place:

Signature

Date:

(Refer clause 4.5 (e) and 5.2(f))

**Appointment and reporting of Key Management Persons**

The Companies Act has enhanced the compliance requirements as regards the key management persons and directors of companies. In the light of the above and pursuant to the IRDAI (Corporate Governance for Insurers) Regulations, 2024, the following norms are applicable for appointment and reporting of Key Management Persons of insurers.

With regard to the appointment and in order to ensure that all positions of “Key Management Persons” are adequately staffed, all the Insurers are hereby directed that:

1. The appointment of MD/CEO/Whole-time Director and Appointed Actuary shall be governed by the provisions of the Insurance Act, 1938 and Regulations made thereunder.
2. Appointment or termination of all such key management persons shall be made with the approval of Board of Directors on recommendation of the Nomination and Remuneration Committee.

Before appointment of a person as a KMP, the Board or Committee thereof shall carry out due diligence to ensure that the appointee is “fit and proper” for the proposed position. Insurers shall obtain declaration in Form KMP-1 annexed from the proposed KMP prior to their consideration for appointment.

3. Insurers shall ensure that KMPs 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’. All insurers are required to obtain and maintain the particulars of their respective ‘Key Management Persons’ in the format ‘Form - KMP-1’, separately for each key person, as and when there is an appointment/ change in the individual person holding the position of Key Management Person. Intimation of appointment/ reappointment/ change of any KMP shall be filed with the Authority within 30 days from the date of new person taking over the position of ‘Key Management Person’.
4. Insurers shall within a period of 30 days notify the Authority in the event of any position of ‘key Management person’ falling vacant, with the details of the person who will officiate in that position.
5. In the event of vacancy in the office of any Key Management Person, insurers shall initiate action for filling up of such vacant positions on a priority basis. At no point of time the position of any ‘Key Management Person’ shall remain vacant for a continuous period of more than 180 days.
6. The names and designations of all the ‘Key Management Persons’ shall be disclosed on their respective websites by all Insurers.
7. Notwithstanding the above provisions, in order to develop the accountable organizational reporting structures, it shall be ensured that any information that is called for by the Authority, shall be submitted only by the concerned ‘Key Management Person’. The Board

of the Insurer or Committee thereof may also delegate the powers to any of the 'Key Management Person' for submitting such information to the Authority.

8. Every insurer shall submit an annual compliance certificate in Form – KMP-2 with regard to appointment and reporting of KMPs to the Authority.

**Form KMP - I**

**Information relating to Key Management Person ----- (Designation) as at (date) -----  
- in terms of Clause --- of Master Circular on Corporate Governance**

**Name of Insurance Company:**

1. Name (and any previous names) of KMP:
2. Present Residential Address:
3. Current Telephone, Fax and E-mail Addresses:
4. Date and Place of Birth:
5. Nationality (and any previous Nationality):
6. Passport / Identity Card:
  - a. Number:
  - b. Date and Place of Issue:
  - c. Date of expiry:
  - d. Issuing Authority:
7. Name and Address of Bank:
8. Details and Dates of Academic Qualification:
9. Details and Dates of Professional Qualification:
10. Description of the position (including responsibilities) and proposed date of commencement:
11. Experience:

(covering preceding 5 years)
12. (a) Details of previous employment (in the last 5 years):
  - (b) If previous employer was regulated by a regulatory body, then:
    1. Name of the Previous Employer:
    2. Nature of Employer's business:
    3. Name of the Regulatory body supervising the Employer:
    4. Last Designation (including duties & responsibilities):



5. Date of Appointment:
6. Date of resignation:
13. Details of other business interests of the Key Management Person during the preceding 5 years in the form of holding equity shares in excess of 2% or Directorships in any other entity:
14. Relationship of KMP with the Insurer and related parties of insurer, if any:-
  - a. Details of shareholdings or voting powers in excess of 2% in the Insurer and related parties of insurer:
  - b. Details of any Business relationships with the Insurer or related parties of insurer:
  - c. Details of any Business relationships between the Directors' and key management persons' former employers and the insurer or related parties of insurer:
15. Full details on the Key Management Persons' reputation and character:-
  - a. whether the applicant has ever been declared bankrupt;
  - b. details of convictions for any offence involving fraud or other dishonesty;
  - c. any disqualification from acting as a Director/ Key Management Person in any company;
  - d. whether the Director or key person has ever been refused (or had revoked) a licence or authorization to carry on any regulated financial business during past five years;
16. Details of any censure or disciplinary action initiated by any government, regulatory or professional body:
17. Details of any dismissals from office or employment, subjection to disciplinary proceedings by the previous employer or refusal of entry into any profession or occupation:
18. Details of conviction, if any of the Key Management Person for any offence involving moral turpitude:
19. Whether any governmental, regulatory or professional body has ever investigated any employer, company or organisation with which the Key Management Person has been associated as a director, officer, manager or shareholder?
20. Whether any company or organisation with which the Key Management Person was associated as a director, officer, manager, has ever been wound up, gone into receivership or ceased trading either whilst the Key Management Person was associated with it; or within one year after the Key Management Person so ceased to be associated?
21. Please mention whether the Key Management Person is also an Insurance Corporate Agent, employee of Insurance Broker, Director or Employee of any other insurance intermediaries

or Insurer or reinsurer in India or in any foreign country or director of any other company in India or in any foreign country.

22. Whether the Key Management Person is into the full-time employment of the insurer? If not, then please give the full detail of other employment/ engagement:

23. Whether the key management person is on deputation / secondment from any other organisation?

If yes,

(a) furnish the full particulars of the Parent Organisation:

(b) whether any remuneration etc is paid by the Parent Organisation, if so complete detail of the remuneration:

24. Whether the Key Person is into the full time / part time employment of any group company / associated company or the promoting partner of the insurer?

It is certified that the above information is true to the best of my knowledge and belief and if anything reported herein is found to be false or incorrect, then I shall be liable for appropriate action.

**Key Management Person**

**Chief Compliance Officer**

**(Applicant)**

**Date:**

**Place:**

**Form – KMP -2**

**Annual Compliance Certificate for the Financial Year \_\_\_\_\_ in terms of Para No. \_\_\_\_\_ of Corporate Governance Master Circular on Reporting of Key Management Persons (KMPs)**

**Name of Insurance Company:**

It is hereby certified that all the provisions relating to '*Directions on appointment and Reporting of Key Management Persons (KMPs)*' issued by Insurance Regulatory and Development Authority as part of the Corporate Governance Master Circular, are duly complied with. It is further certified that the Company has in place procedures for complying with the provisions of '*Directions on appointment and reporting of Reporting of Key Management Persons*'.

Date:

Place:

Chief Compliance Officer  
Name of the Insurance Company  
Company Seal

(Refer clause 7 (b))

**Appointment of Statutory Auditors by Insurers**

Section 12 of Insurance Act, 1938 prescribes that all insurers must be audited annually by the Auditors.

Insurers shall comply with the provisions relating to appointment of Auditors as contained in the Companies Act. Additionally, insurers shall also comply with the provisions contained in this circular.

On recommendation of the Audit Committee, the Board shall appoint the statutory auditors, subject to the shareholders' approval at the general meeting of an Indian insurance company. The remuneration of the auditors shall also be approved by the shareholders in the general meeting.

**I. The eligibility, qualifications and other requirements of the auditors are detailed below:**

1. The Auditor of an insurer shall be a firm, including a Limited Liability Firm, constituted under the LLP Act, 2008.
2. The Firm should have been established and in continuous practice for at least 15 years.
3. The auditor should have:
  - a) a minimum of 5 full-time partners, of whom,
    - (i) at least 2 should have been in full-time practice as partners exclusively associated with the firm for a continuous period of minimum of 10 years, and
    - (ii) at least 2 other partners should have been in continuous association with the audit firm either as partner or as employee for a minimum period of 5 years, and
    - (iii) one partner in full-time practice with the firm as a partner for a minimum period of 1 year, and
    - (iv) out of the total partners of the firm, at least two should be FCA and be in practice for a minimum period of 5 years as FCA.

OR (Alternatively),

- a) a minimum of 7 Chartered Accountants,
  - (i) of which not less than 2 are partners in full-time practice exclusively associated with the firm for a continuous period of a minimum of 10 years, and

- (ii) at least 3 other Chartered Accountants in continuous association with the audit firm as partner or employee for a minimum period of 5 years, and
  - (iii) at least 2 Chartered Accountants should be FCA and be in practice for a minimum period of 5 years as FCA.
- 4. At least one partner or employee of the audit firm should possess the DISA/ CISA or equivalent qualification as may be recognized by the Authority from time to time and such partner or employee must be involved in the audit of the insurer.
- 5. The Audit firm should have a minimum experience of 5 years in audit assignments of entities in the financial sector. At least one of the joint statutory auditors of an insurer must have experience in insurance company audits of at least two years.
- 6. For the above purposes, a full-time partner shall not include a person who is–
  - a) a partner in other CA firm(s) or
  - b) employed full time/ part time elsewhere, practicing in own name, or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under section 2(2) of the Chartered Accountants Act, 1949.
- 7. Insurers should verify to their satisfaction that the proposed auditors meet the eligibility criteria before considering / approving their appointment. A declaration in the prescribed format (**Form A1**) shall be obtained by insurers at the time of appointment of auditors.
- 8. Any change in the constitution of the Audit firm/information submitted/certifications submitted which affects the eligibility criteria indicated in this Master Circular, should be duly informed by the Audit firm to the Insurers within 7 working days of such change. In such cases, the insurer must ensure compliance with the Master Circular within six months from date of such intimation.
- 9. The Authority must be informed about appointment of auditors within 7 working days thereof with a certification to the effect that the above eligibility stipulations have been met, as per the enclosed format (**Form A2**).
- 10. Insurers are also advised to file a Return on an annual basis as per the enclosed (**Format A3**) giving details of Chartered Accountant firms engaged in various capacities like Statutory Auditors, Internal Auditors, Concurrent Auditors, Tax Auditors etc.

If it comes to the notice of the Authority that the appointment of auditors by insurers is not in line with this Master Circular, the appointment is liable for cancellation and it shall be open for the Authority to consider such further action as may be deemed necessary in this regard.

An insurer shall not remove its statutory auditor without the prior approval of the Authority.

**II. Maximum Number of Statutory Audits of Insurers that can be accepted by an audit firm at a time :**

1. An Audit firm shall be entitled to carry out Statutory Audits **of not more than three** Insurers (Life/General/Health /Reinsurer) at a time.

*Provided that an audit firm shall not have the audit assignments of more than 2 insurers in one line of business (i.e. life insurance, general insurance, health insurance and reinsurance) at a time.*

*Explanation:* An audit firm shall include its associate/ affiliate firms which are under the same network or other firm(s) whose name or trade mark or brand is used by the audit firm or any of its partners.

**III. Rotation of Joint Auditors:**

1. Each insurer shall have a minimum of two auditors as joint auditors. A joint auditor of an insurer shall not include other associate/ affiliate firms which are under the same network or whose name or trade mark or brand is used by the firm or any of the partners of the other joint auditor.

Provided that requirement of joint auditors would not be applicable in case of new insurers during their first year of operations. The requirement shall be mandatory from the financial year succeeding the year in which the Certificate of Registration is granted by the Authority.

2. An audit firm which completes the tenure of four years at the first instance in respect of an insurer may be reappointed as statutory auditors of that Insurer for another term after a cooling-off period of three years. The incoming auditor during the cooling-off period shall not include other associate/ affiliate firm(s) which are under the same network or whose name or trade mark or brand is used by the firm or any of the partners of the retiring auditor. The retiring/ outgoing statutory auditor or its associate/ affiliate as explained above, shall not undertake the investment risk management, or concurrent audit of the insurer during cooling-off period. Existing appointments for period of five years to continue.

**IV. Statutory Auditors taking up other assignments:**

1. Statutory auditor may take up other assignments with the insurer subject to compliance of the following:
  - a) Any additional work other than statutory audit that is entrusted to the auditor or other firms under the same network/ associate/ affiliate firms whose name or trade mark or brand is used by the audit firm or any of its partners, shall be specifically approved by the Board or Audit Committee thereof;

- b) The board or its committee while approving the assignment shall ensure the independence and integrity of the audit relationship.
- c) The aggregate of the fees for the additional work in a financial year shall not exceed the Statutory Audit Fees for the said financial year. It is clarified that the fees for the quarterly and half yearly audit/ review may be excluded for the purpose of calculating the aggregate fees for other assignments of the statutory auditors. All fees/ remuneration for such other work entrusted to the auditor or other firms whose name or trade mark or brand is used by the firm or any of its partners shall be specifically disclosed in the Notes to Accounts forming part of the annual accounts of the insurer.
- d) Insurers shall ensure compliance with Section 144 of the Companies Act and Chartered Accountants Act, 1949 and Regulations issued thereunder, and the applicable guidelines of ICAI issued from time to time in this regard, before considering to provide any additional work to Statutory auditors.

Form A1

Declaration

I / We, the undersigned, partner(s) of M/s \_\_\_\_\_ do hereby declare that the particulars as given above are as on \_\_\_\_\_ and are correct in all respects to the best of my / our knowledge and belief. I /

we hereby declare that

- a. none of our branches or associate/ affiliate concerns or LLP or other firm whose name or trade mark or brand is used by our firm or any of our partners, has/ have been appointed as statutory auditor of any insurer; or  
the following of our branch or associate/ affiliate concern or LLP or other firm whose name or trade mark or brand is used by our firm or any of our partners has/ have been appointed as statutory auditors of insurer(s)

Name of the firm / associate / affiliate/ LLP	Name of the Insurer	Period of Appointment

- b. I /we have gone through the instructions and terms and conditions as specified in the Master Circular issued by the Authority and affirm that our firm is compliant with the Master Circular and in no way infringes the terms and conditions so prescribed.
- c. In case the terms or conditions so prescribed are found to have been infringed the application/appointment is liable to be rejected/ cancelled.
- d. I /we further recognize that if any of the terms or conditions is infringed or any of the statement made therein or information furnished in the application form is not correct, I /we would be liable for disciplinary action under the Chartered Accountants Act,1949 and regulations framed there under and under the provisions of Companies Act, 2013
- e. No further assignment(s) by our audit firm or branch or associate or LLP or other firm whose name or trade mark or brand is used by our firm or any of our partners shall be taken which are not in compliance to the Master Circular.

I / we hereby declare that audit / other assignment allotted on the basis of information furnished in the application form will not be accepted and carried out if the firm in whose name the application was made is not in existence at the time of audit.

Name of the Audit Firm:

Name of Partner	Membership No.	Signature*
_____	_____	_____
_____	_____	_____
_____	_____	_____

Place: \_\_\_\_\_ Date: \_\_\_\_\_

**\* The declaration should be signed by all the partners of audit firm undertaking audit of the insurer.**



**Form A2**

Name of the Insurer:

This is to inform that the following audit firms have been appointed as Statutory Auditors for (Name of the Insurer) for the financial year \_\_\_\_\_

Sl. No.	Name of the Audit Firm	Address	Telephone/ e-mail
1			
2			

The past record of Statutory Auditors of (Name of the Insurer) for the preceding ten years is as under:

Present Term	Year-4	Year -3	Year -2	Year -1	Current Year
Name of the Audit Firm					
1					
2					

Previous Term	Year-9	Year -8	Year -7	Year -6	Year- 5
Name of the Audit Firm					
1					
2					

It is certified that this appointment/reappointment is in compliance with the provisions with regard to appointment of auditors as a part of Corporate Governance Master Circular issued by the Authority.

Date:  
Place:

Signed  
Chief Executive Officer

**Form A3****Name of the Insurance Company:****Return of Auditors engaged for the financial year \_\_\_\_**

Sl. No.	Auditors engaged as	Name of the Firm	Address/ Telephone/ e-mail
1.	Statutory Auditors		
		1.	
		2.	
2.	Internal Auditors		
		1.	
		2.	
3.	Concurrent Auditors		
		1.	
		2.	

<b>Sl. No.</b>	<b>Auditors engaged as</b>	<b>Name of the Firm</b>	<b>Address/ Telephone/ e-mail</b>
4.	Tax Auditors		
	1.		
	2.		
5.	Any Other Capacity (to be specified)		
	1.		
	2.		

It is certified that the above information is correct and complete to the best of my knowledge and belief, and reflects the true position.

Date:

Place:

Signed

Chief Executive Officer

Annexure 7

(Refer clause 9.5 (b) and 9.5 (d) (i))

**Remuneration and other payments made during the Financial Year to MD/CEO/WTD & KMPs**

(Amount Rs. In lakh)

Sl. No.	Name of the MD/CEO/WTD & KMP	Designation	Fixed Pay			Variable Pay						Total of Fixed and Variable Pay (c)+(f)	Amount Debited to Revenue A/c	Amount Debited to Profit and Loss A/c	Value of Joining / Sign on Bonus	Retirement benefits like gratuity, pension, etc. paid during the year	Amount of deferred remuneration of earlier years paid/settled during the year	
			Pay and Allowances (a)	Perquisites, etc. (b)	Total (c)=(a)+(b)	Cash components (d)		Share-linked components (e)		Total (f)=(d)+(e)								
						Paid	Deferred	Settled	Deferred	Paid/ Settled	Deferred							
1																		
2																		
3																		
	<i>Total</i>																	

Annexure 8

(Refer Stewardship Principle 6 (v))

Disclosure of voting activities in general meetings of investee companies in which the insurers have actively participated and voted:

Name of Insurer: \_\_\_\_\_

Period of Report (FY): \_\_\_\_\_

<b>Meeting Date</b>	<b>Investee Company Name</b>	<b>Type of Meeting (AGM/EGM)</b>	<b>Proposal of Management/Shareholders</b>	<b>Description of Proposal</b>	<b>Management Recommendation</b>	<b>Vote (For/Against/Abstain)</b>	<b>Reason supporting the decision</b>

Date:

Place:

Chief Compliance Officer  
(Name and Signature)

(Refer clause 10.3 (b))

**“Certification for compliance of the Corporate Governance Master Circular”**

I \_\_\_\_\_ (Name) hereby certify that \_\_\_\_\_ (company name) has complied with the IRDAI (Corporate Governance for Insurers) Regulations, 2024 and the circulars issued there under.

Nothing has been concealed or suppressed.

Signature \_\_\_\_\_

Full Name and Designation”

Chief Compliance Officer

**List of Circulars / Guidelines repealed**

<b>Sl. No.</b>	<b>Circular / Guidelines Reference</b>	<b>Subject</b>
1	031/IRDA/CIR/COMPLIANCE/AUG-2007 dated 23 <sup>rd</sup> August, 2007	Approval under Section 34A of Insurance Act, 1938
2	043/IRDA/CIR/COMPLIANCE/MAR-2009 dated 17 <sup>th</sup> March, 2009	Issuance of ESOP / Sweat Equity to CEO / Managing Director / Whole-time Director – Compliance with Section 34A of the Insurance Act, 1938
3	IRDA/F&A/GDL/CG/100/05/2016 dated 18th May, 2016	Guidelines for Corporate Governance for insurers in India
4	IRDA/F&A/GDL/CG/100/05/2016 dt. 6 <sup>th</sup> June, 2016	Addendum to Guidelines for Corporate Governance for insurers in India
5	Circular dt. 19 <sup>th</sup> March, 2019	Remuneration proposals of ED/MD and CEOs
6	IRDAI/F&A/GDL/CPM/045/02/2020 dated 7th February, 2020	Revised Guidelines on Stewardship Code for Insurers in India
7	IRDAI/Life/CEO Appointment/2020-21 dt.22 <sup>nd</sup> July, 2020	Submission of application under Sec. 34A of Insurance Act, 1938
8	IRDAI/F&I/CIR/MISC/183/9/2022 dated 2nd September, 2022	Appointment or Continuation of Common Director(s) u/s 48A of Insurance Act, 1938
9	IRDAI/F&I/CIR/MISC/191/9/2022 dated 13th September, 2022	Clarification on Circular Appointment or Continuation of Common Director
10	IRDAI/F&I/CIR/MISC/26/01/2023 dated 30 <sup>th</sup> January, 2023	Profit Related Commission to Non-Executive Director(s)
11	IRDAI/F&A/GDL/MISC/141/6/2023 dated 30th June, 2023	Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers