

Ref: IRDAI/F&I/CIR/MISC/183/9/2022

Date: 02<sup>nd</sup> September, 2022

**CIRCULAR**

**To:**

1. The Chairman/CEOs of all insurance companies; and
2. All insurance agents, intermediaries and insurance intermediaries

**Appointment or Continuation of Common Director(s) u/s 48A of Insurance Act, 1938**

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

2. Applications are filed with the Authority seeking approval under section 48A of the Insurance Act, 1938, for new appointment or continuation of common director(s) representing insurance agent, intermediary or insurance intermediary on the board of insurance company.
3. The Authority, in exercise of powers conferred under section 14(1) of the IRDA Act, 1999 hereby provides the following 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 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. Insurer shall not pay any remuneration to non-executive directors without prior approval of the Authority. However, insurers are permitted to pay sitting fees, as per applicable norms.

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- iv. The disclosure requirement as laid down under the Corporate Governance Guidelines for Insurers in India, IRDA (Preparation of Financial Statement and Auditor's Report of Insurance Companies) Regulations, 2002 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:
    1. Any area having potential conflict of interest;
    2. 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, 2013.
  - 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.
  - 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.
4. 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. The compliance shall be filed with Authority not later than 30<sup>th</sup> April of the succeeding financial year.
  5. This Circular will come into force from the date of issuance of the same and will supersede the Circular IRDA/F&A/CIR/MISC/141/08/2018 dated 30.08.2018.

  
(Rakesh Joshi)  
Member (F&I)  
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