



Enterslice

The IRDAI lays down the Framework for the Appointment of Common Director

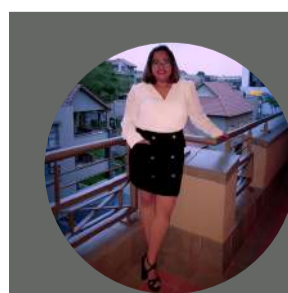
On 2nd September 2022, the Insurance Regulatory and Development Authority of India (IRDAI) issued the Circular IRDAI/F&I/CIR/MISC/183/9/2022 in regard to the "Appointment or Continuation of Common Director(s) in accordance with Section 48 of the Insurance Act, 1938. The second proviso of Section 48A of the Insurance Act, 1938, states 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."

- In accordance with the framework, the appointment or the continuation of a common director representing the insurance agent, intermediary or insurance intermediary on the board of the insurance company shall be deemed to have been permitted unless the exceptions are mentioned in the said Circular, that is subject to the following conditions -
- The Proposed Director cannot be working under the capacity of the Chief Insurance Executive or a Specified Person, or any other Officer being held responsible for soliciting insurance business for or on behalf of the insurance agent, intermediary or insurance intermediary while being the director of the insurance company.
- There shouldn't be any "Conflict of Interest" or "Prejudice" against the interest of the policyholders to be caused due by the appointment of the Common Director.
- The Insurer is not to pay any remuneration to the non-executive directors without seeking the Authority's prior approval. Although, the insurers secure the permission of paying the sitting fees in accordance with the applicable norms.
- The requirement of disclosure has been laid down under the Corporate Governance Guidelines for Insurers in India, IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, along with other extant applicable laws required to be complied with.
- A resolution was passed approving such appointment by the Board of the insurance company, agent, intermediary, or insurance intermediary.
- The number of directorships held by the common director cannot exceed the maximum number of directorships specified under the extant law, including the Companies Act 2013.

The Circular further states that an individual already appointed/acting or proposed to act as Executive Director or Whole-Time Director on the Board of the Insurer, Agent, Intermediary, or Insurance intermediary, cannot be appointed as a nominee or a Common Director.

Further, the Insurers have to file a certificate on an annual basis, duly certified by the CEO, confirming compliance with the provisions of this circular on a financial year basis. The compliance shall be filed with Authority prior to 30th April of the succeeding financial year.

Official Notification Attached - [here](#)



Sushree Dash

Legal Researcher