

Govt may tighten IRDAI service rules

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The government is examining the service rules for the insurance regulator to prevent further conflicts of interest after the second chairman in four years took a top private sector job immediately after demitting office, two people aware of the development said.

The move follows a complaint filed with the government over the appointment of former Insurance Regulatory and Development Authority of India (IRDAI) chairman Subhash Chandra Khuntia as part-time chairman of Jana Small Finance Bank which also sells insurance products of private insurers as a corporate agent.

The previous chairman TS Vijayan came under the scanner of the finance ministry after accepting the position of a director in Yes Bank in 2018 without obtaining the government's approval.

The bank at that time was a corporate agent to insurance companies including Max Life and Reliance General Insurance, which were directly regulated by IRDAI.

As per Section 8 of IRDA Act, the chairperson and whole-time members of IRDAI cannot take a government job or work for an insurance company for a period of two years from the date on which they cease to hold the regulatory office, without prior permission of the Central government.

The question now being examined is whether there is a loophole, such as an insurance business in a non-insurance organisation, conducted as a peripheral activity. The government may examine whether the bar on employment should be extended to such businesses, where there is a potential for conflict of interest and 'revolving doors' phenomenon.

"The Section 8 of IRDA Act is very clear that appointment of a former insurance regular should not be in a government entity or an insurance company for a period of two years without government approval. Jana Small Finance Bank is a bank regulated by RBI and not an insurance company. So, there is no conflict of interest or violation of any rules and no prior approval of the finance ministry is required in this case," Khuntia told Mint over phone when asked about the compliant over his appointment in the bank immediately after leaving the office of chairman IRDAI.

Questions mailed to the finance ministry and secretary department of financial services remained unanswered till the time of going to press. Messages left on the financial services secretary's phone were also not replied.

"The department receives various complaint on issues related to appointment or vigilance aspects. All complaints are examined and action is taken in accordance with existing regulations," said the people cited above.

"Rather than an individual case, the issue has to be seen from a regulatory standpoint -- whether a bank involved as an insurance corporate agent, regulated by IRDAI should be considered as a firm involved in insurance business," they added.

Making Corporate India Comply

Khuntia retired from IRDAI in May last year and took the Jana Small Finance Bank job in October. The bank sells general insurance products of Bajaj Allianz General Insurance Co. Ltd. & ICICI Lombard General.