

CORPORATE GOVERNANCE IN INDIAN LIFE INSURANCE COMPANIES: A COMPARATIVE STUDY OF PRIVATE LIFE INSURANCE COMPANIES

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Abstract

Purpose: Corporate governance is the framework for managing and directing businesses. Corporate governance should be distinguished from the day-to-day operational management of the firm as it mainly focuses on what the board of a company does and how it sets the organizational values. The prime objective of corporate governance is to enhance innovative, efficient and responsible management that can ensure the long-term success of the business. However, corporate governance in life insurance companies is of supreme importance as they are the guardians of substantial public assets that should be properly invested in compliance with the insurance regulators. This will not only boost the policyholders' trust and faith, but would also assure their relentless adherence. It has gained more importance in light of what has happened to organizations, like energy giant Enron and Xerox. Dealing with such situations is very difficult, hence it is necessary to make a vow to protect the businesses from ending up with financial irregularities. In 2009, comprehensive corporate governance rules were released by the IRDA in 2009, again in 2016, the updated guidelines were released which became operative for Indian insurance business in the fiscal year 2016-17. **Design/Methodology:** The main objective of this paper is to explore and analyze the corporate governance guidelines followed by the top three private life insurance companies, namely ICICI Pru Life, SBI Life and HDFC Life for the period 2018-19, 2019-20, 2020-21. The analysis and findings are based on secondary data from the Annual Reports of the respective life insurance companies. **Findings:** After reviewing and analyzing the three years annual reports of the top three private life insurance companies, it has been found that ICICI Prudential Life, SBI Life and HDFC Life insurance companies to a great extent disclosed the details as required by the regulators under various statutes and corporate governance guidelines 2016. However, it was found that despite complete adherence to the norms and principles, these life insurance companies have the charges, warnings and fines imposed by the regulators that is being displayed in the IRDAI's official website. **Originality:** An effort has been made to learn how these insurers are attempting to follow these guidelines. It was discovered that the reporting is being carried out in accordance with the standards set with the existence of committees. Some companies are also being awarded for excellence in financial reporting and corporate governance compliance. However, some companies have not disclosed the corporate governance compliance completely, hence, it can be said that it is not possible to assume that proper reporting imply perfect adherence to the application of the law.

Keywords: Corporate Governance, Compliance, Adherence, Disclosures.

I. INTRODUCTION

The term "corporate governance" is currently in vogue in India and throughout the world. Particularly during the second half of 1996, it has grown tremendously in relevance. The need for a new corporate ethos, stricter adherence to numerous regulations, and increased accountability of corporations to their shareholders and consumers are two of the primary causes of this upswing. The first is the economic liberalization and deregulation of industry and business¹.

According to IRDAI, corporate governance is viewed as a system of financial and other controls in a business entity. It basically relates to the relationship between shareholders, the board of directors, and management. The relationship is fiduciary in the financial industry, where the organizations adopt public duties for the fulfillment of certain contracts, with heightened responsibility to protect the interests of all stakeholders. The internal duties, obligations, and accountability of a company should be clearly defined by the corporate governance framework, which should also include built-in checks and balances. The importance of corporate governance has recently drawn more attention due to the correlation between weak internal controls and big corporate failures.

The term "corporate governance" in business and industry, whether in the public or private sector—all of which are corporate entities—emphasizes the openness of management systems. The goal of a "corporate governance" framework is to improve a company's reputation, output, and social responsibility.

In the current climate of globalization and liberalization, the corporate sector at the national and international level has no alternative but to aggressively pursue "Excellence in Corporate Governance" to the utmost extent possible. In India, the term was defined by the Confederation of Indian Industry (CII) as "dealing with laws, procedures, practices, and implicit rules that determine a company's ability to make informed managerial decisions with respect to its claimants, in particular, its shareholders, creditors, customers, the State, and employees." The purpose of "good" corporate governance is generally acknowledged to be the maximization of long-term shareholder wealth.

According to the Institute of Company Secretaries of India: "Corporate Governance is the application of best Management Practices, Compliance of Laws in true Letter and Spirit and Adherence to Ethical Standards for Effective Management and Distribution of Wealth and Discharge of Social Responsibility for Sustainable Development of All Stakeholders."

Corporate Governance In Life Insurance Companies

As the life insurance firms are the guardians of substantial public assets that must be properly invested in accordance with the mandates of the insurance regulators, corporate governance is of utmost importance to them. This not only strengthens the policyholders' faith and trust but also guarantees their steadfast allegiance. The Insurance Regulatory and Development Authority (IRDA) Act, 1999, the Insurance Act, 1938, the firms Act 2013, and additional guidelines issued from time to time by IRDA and many other statutes all provide laws and regulations that apply to insurance firms. The system by which an insurer controls itself is known as CG.

Corporate Management Of Indian Insurance Firms: Process, Observance, Recommended Methods And Applicable Law²

- Under the direction of the board members, who in turn are accountable to the company's shareholders, the managers are able to manage the business thanks to the main business structures of the firms. Managers focus on day-to-day operations, while the board occasionally reviews the manager's job in light of the established aim and policy parameters.
- The freedom of the shareholders to choose directors ensures that even the most powerful directors answer to the shareholder. A typical organizational structure is,

however, frequently seen in Indian situations where the largest shareholder also serves as a board member and manager.

- A business operates under the tenet of perpetual succession in order to satisfy all stakeholders. Customers, suppliers, employees, managers, shareholders, and the government are just a few examples of the stakeholders on this list. Every party or stakeholder has an economic interest in a corporation, which is something that unites them all.
- All stakeholders enter into any type of legal or permissible contractual or economic tie with a corporation in order to meet their financial interests. This financial interest may be satisfied legally or illegally, and it may also be satisfied unfairly in order to deny other deserving stakeholders their rightful benefits.

Process And Compliance Of Corporate Governance

- Corporate governance is the ongoing process of increasing shareholder equity while maintaining fairness to all other stakeholders, such as employees, suppliers, distributors, customers, bankers, the government, and those directly impacted by a project, among others. A prerequisite for an organization's long-term success is good corporate governance. This includes not only for-profit businesses but also nonprofit trusts, educational institutions like colleges, and governing organizations for sporting or cultural events.
- Financial organizations serve as middlemen between investors and borrowers, making corporate governance increasingly crucial in this industry. The economy would be forced to contract if these corporations didn't manage their operations in a manner that is morally expected. A division of the financial sector is the insurance sector. IRDAI (Insurance Regulatory and Development Authority of India) oversees the regulation of the insurance industry in India.

Legal Guidelines

- The corporate governance guidelines published by IRDAI serve as the industry standard for corporate governance. On May 18, 2016, IRDAI released thorough Corporate Governance Guidelines that will be applicable to insurance businesses starting in the 2016–17 fiscal year.
- The updated rules broadly address corporate governance standards, the selection of the MD/CEO and other Key Management Personnel (KMPs), and the selection of the statutory auditors of insurers. The guidelines also consider how to monitor the compliance situation in relation to how corporate governance principles are followed.
- The necessary conformity to Clause 49 of the Listing Agreement of the Stock Exchanges served as the reference for those Corporate Governance standards of companies that were listed in the Stock Exchanges. Although Indian insurance businesses are not yet listed on stock exchanges, IRDAI recommended insurers to become familiar with the corporate governance structures and standards that apply to listed entities.

The board of the insurance firm is directly responsible for good governance, according to the IRDAI guidelines, and IRDA will also be in charge of overseeing the continuation of the relevant requirements. These rules supplement the pertinent clauses of the

Companies Act of 2013, as well as any other laws or regulations created in accordance with it. When these standards' requirements clash with other laws' rules or guidelines, the tougher rule must be observed.

Corporate Governance At Icici Prudential Life Insurance Company Limited

The company is dedicated to providing value to stakeholders and views them as partners in success. The Company thinks that maintaining and enhancing stakeholders' trust depends on an effective corporate governance framework. It is committed to carrying out its overall duties within the company with rigor and diligence while conducting business in accordance with corporate governance standards.

The foundation of the Company's corporate governance strategy is a strong, independent Board that has its supervisory responsibilities kept apart from those of the executive management. To supervise crucial areas of corporate operations, the Board Committees typically have a majority of independent/non-executive Directors and are led by independent Directors.

Corporate Governance At Hdfc Life Insurance Company Limited

Corporate governance refers to an organization's structure for achieving the goals of all its constituents, including its shareholders, management, consumers, suppliers, community, and regulators. It is a culture that directs the Board of Directors, Management, and Employees to act in the best interest of all its stakeholders rather than a discipline that is imposed by a regulator. The philosophy of HDFC Life Insurance Company Limited (the "Company" or "HDFC Life") is based on the conviction that good corporate governance is essential to boosting investors' confidence, efficiency, and growth. At HDFC Life, corporate governance is guaranteed by making moral business decisions and operating with a strong commitment to principles while satisfying stakeholder expectations. As a result, the following is how the corporate governance philosophy has been written:

According to its mission statement, "As a good corporate citizen, the Company is committed to sound corporate practices based on its vision, values, and principles in order to earn the trust of its various stakeholders and pave the way for its long-term success and sustenance."³

Corporate Governance At Sbi Life Insurance Company Limited

The company's corporate governance strategy is to follow not just the law's obligations but also voluntarily create and uphold a robust set of corporate governance practices, such as risk management, corporate ethics, and codes of business conduct. Integrity, excellence, and ethics are the cornerstones of the company's corporate governance philosophy, which has been in use ever since it was founded. The Company has inherited from the SBI culture and ethos strong leadership and good corporate governance standards. The Board is committed to exceeding all stakeholder expectations and works arduously to do so. In its pursuit of this goal, SBI Life emphasizes the notion of corporate governance by incorporating values like accountability, openness, honesty, and fair disclosures into the corporate structure. Making moral business judgments and conducting business with a strong commitment to values ensure this.

REVIEW OF LITERATURE

In their study, Dr. Paramjit Kaur and Dr. Suveera Gill (2008) noted how an economy's legal and regulatory framework is essential to the development of markets, good corporate governance, and economic progress. Their research also demonstrates that despite India having implemented strict corporate governance reforms, there are still significant flaws and shortcomings in the way the government is putting those changes into practice. According to Boubakri (2011); Adams & Jiang (2016), in order to provide accurate insights into the company's financial position, insurance companies need strong governance, as well as efficient accounting and financial reporting standards. This is because the activities of insurance companies are opaque and complex and depend on complex assumptions, such as mortality rates, upcoming expenses, and interval and discontinuance percentages, in addition to impending investment yields. According to Goel, P (2018) Indian businesses need to comprehend the advantages of putting excellent governance techniques and related activities that enhance financial performance into practice.

OBJECTIVES OF THE STUDY

The Indian Insurance Regulatory and Development Authority (IRDA) released detailed corporate governance rules in 2009 and updated guidelines on May 18, 2016, which became effective for Indian insurance companies in the 2016–17 financial year. The composition of the board, its meetings, committees, financial statement disclosures, key managerial personnel provisions, whistleblower policy, outsourcing, related party activities, reporting under IRDAI Corporate Governance principles, etc. are all covered by these regulations. The significance of these rules must be viewed in the context of the fiduciary responsibility that life insurance firms have when they invest significant sums of money in other businesses. However, the insurance regulator has emphasized the necessity for enhancing corporate governance, risk management, internal controls, and the fitness of key managerial individuals in light of the large number of enterprises defaulting and filing for bankruptcy under the Insolvency and Bankruptcy Code of 2017, which was passed in 2017. The purpose of IRDAI is to guarantee and enhance the financial stability of insurance firms and to deliver fair and adequate services to its policyholders and other stakeholders.

The purpose of the current paper is to analyze-

- (1) What the 2016 IRDA Corporate Governance principles are, and
- (2) How well the private life insurance companies have implemented the 2016 IRDA revisions to the corporate governance principles.

METHODOLOGY OF THE STUDY

Data from secondary sources has been gathered from a variety of reports, articles, newspapers, websites, etc. The annual reports of these Life Insurance Companies are the primary source of secondary data. The study is based on secondary data gathered from the annual reports of the top five private life insurers during 2018–19, 2019–20, 2020–2021.

These companies are listed in order of their ranking.

1. ICICI Prudential Life Insurance Company Limited
2. SBI Life Insurance Company Limited
3. HDFC Standard Life Insurance Company Limited

Irdai Guidelines On Corporate Governance (2016)

All insurance businesses must adhere to corporate governance norms that are just, open, reliable, and financially healthy, according to IRDA. In order to avoid the severe liquidity problems that other non-banking companies are experiencing as a result of exposure to defaulting corporates and non-performing loans, companies should consider corporate governance and related party transactions. They should also make judicious and prudent investment policies for efficient investments and effective risk management through required board committees. Insurance businesses complied with IRDA's Corporate Governance standards from 2009 when compiling their annual reports up until the fiscal year 2015–16. The IRDA announced comprehensive corporate governance guidelines in May 2016 that were applicable to insurance companies throughout the 2016–17 fiscal year. The Insurance Act of 1938, the Business Act of 2013, and any other rules or regulations resulting from it are also applicable to insurance enterprises. The revised guidelines cover a wide range of subjects, such as corporate governance procedures, the appointment of the MD/CEO and other Key Management Persons (KMPs), as well as the appointment of statutory auditors for insurers; the composition of mandatory board committees, the frequency of their meetings throughout the year; their compliance report; the function of appointed actuaries; disclosures; stakeholder associations; whistleblower policies; related activities; and outsourcing. Following these guidelines is essential since it conveys to all of its stakeholders a strong message of transparency and disclosure. Even though no Indian insurance companies were listed on stock exchanges in 2016, the IRDA still cautioned insurers to observe the requirements of Clause 49 of the Listing Agreement of the Stock Exchanges. Listings for life insurance companies were allowed in 2017 as long as strict listing guidelines were followed. Depending on the scope and complexity of the activities, insurers may create many committees to carry out certain tasks. Typically, the Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Investment Committee, Ethics Committee, and Asset-Liability Management Committee are the committees that support the Board.

Compliance Of Irdai Guidelines 2016

The implementation of the IRDA Corporate Governance Guidelines 2016 followed a review of the annual reports of life insurance companies for the years before and after those modifications. Table 1 shows that all five private life insurance companies have complied with IRDA requirements for the formation of necessary board committees, as shown by their annual reports starting in 2018–19. All companies have created the requisite board committees in accordance with the required composition. The comprehensive Corporate Governance Reports provided in ICICI PRULIFE, SBI LIFE, and HDFC LIFE's annual reports meet the regulators' demands for full disclosure and reporting of all pertinent information.

The reports are openly posted and displayed containing information that is self-explanatory, such as the names of the Directors, their positions as Directors, whether

they are women or independent Directors, as well as their qualifications and appropriateness for the role. They also detail the number of meetings held, the attendance of all Members, whether they were there in person or participated through video conference, as well as the Directors' directorships in other corporations, their qualifications for the job, and their ownership of shares in other corporations. ICICI PRULIFE got the ICAI Award For Excellence In Financial Reporting for the FY 2018–19 and was ranked among the top 3 firms in the Indian Corporate Governance Scorecard, per their annual reports. SBI Life and HDFC Life were also recognized by the ICAI and other international organizations for excellence in financial reporting.

Table 1: Mandatory Committees As Per Irda Guidelines,2016

Mandatory Board Committees Formed As Per IRDA Guidelines	ICICI PRULIFE			HDFC LIFE			SBI LIFE		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Board of Directors	11	10	9	14	13	11	11	8	6
Independent Directors	6	5	5	7	6	6	6	5	4
Non-Executive Directors	3	3	3	5	4	3	4	2	1
Executive Director	2	21	1	2	3	2	1	1	1
Boards Meetings held During the year	11	6	12	6	4	5	7	6	13
Women Director	1	1	1	2	1	1	1	1	1
Board Audit Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Investment Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Risk Management Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Customer Service & Policyholder Protection Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Nomination & Remuneration Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board With Profits Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board Stakeholders Relationship Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board C S R Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19,2019-20,2020-21)

As highlighted by Table 1 all the five life insurance companies have formed the mandatory board committees as per IRDA guidelines. Analysis of each committee is given as under:

Board Audit Committee

The Committee's main goal is to oversee and offer effective oversight of the financial reporting process, ensuring high standards of openness, integrity, and financial reporting quality. The Committee supervises internal audit and compliance activities and ensures that rules are implemented for an efficient control mechanism, including a method to handle any stakeholder conflicts of interest. The Committee is in charge of choosing, assessing, and making recommendations for the statutory auditors in conformity with the law. The Committee makes sure that the control functions are independent, which is proven by a reliable reporting system.

Table 2: Compliance of Audit Committee as Per IRDA Guidelines 2016

Parameters for Audit Committee	ICICI PRULIFE			HDFC LIFE			SBI LIFE		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Audit Committee Chairman should be an Independent Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Minimum three Directors must be there	9	8	7	9	10	9	7	6	9
Chairman must be a person with strong financial background	Mr. V. Sridar (FCA)	Mr. R.K. Nair (MBA- Financial Management, Diploma in Securities Law)	Mr. R.K. Nair (MBA - Financial Management, Diploma in Securities Law)	Mr. V.K. Viswanathan (CA)	Mr. V.K. Viswanathan (CA)	Mr. V.K. Viswanathan (CA)	Mr. Ravi Rambabu (FCA)	Mr. Ravi Rambabu (FCA)	Mr. Narayan K Seshadri (FCA)
Statutory Auditor should be appointed on the recommendation of the Audit Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of meetings held during the year	7	9	12	5	4	5	5	5	9

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19, 2019-20,2020-21)

It can be observed from **Table 2** that all the companies have complied with the guidelines regarding independent director as the chairman for Audit Committee; and also with regard to the number of directors. It is good governance to have more members with a majority of independent directors in the audit committee.

Board Investment Committee

The Chief Executive Officer, Chief of Finance, Chief of Investment, Chief Risk Officer, and the Appointed Actuary shall be members of the Investment Committee, which shall be established by the Board and consist of at least two Non-Executive Directors. The Committee is in charge of formulating the operational guidelines for the insurer's investment operations as well as making recommendations about investment strategy. This will provide liquidity for efficient operations, adherence to prudential regulatory standards for investments, risk management/mitigation techniques, and most all, protection of policyholders' assets. The Board is assisted by the Investment Committee in exercising its oversight responsibility for the Company's investment assets. The Committee is in charge of creating an investment framework with adequate controls and establishing the overall investment strategy. The Committee also examines investment performance in accordance with the pertinent benchmarks and offers suggestions for the preservation of money belonging to shareholders and policyholders.

Table 3: Compliance of Investment Committee as Per IRDA Guidelines 2016

Parameters for Investment Committee	ICICI PRULIFE			HDFC LIFE			SBI LIFE		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Committee must have at least two non-executive Director along with the Chief of Finance, the CEO, Chief of Investment, Risk Officer and the appointed Actuary.	9	8	10	10	10	9	8	10	10
The investment committee should submit a report to the board of directors on a quarterly basis.	YES	YES	YES	YES	YES	YES	YES	YES	YES
Meetings held during the year (at least four meetings in a year)	6	5	5	4	4	5	5	4	5

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19, 2019-20, 2020-21)

As can be observed from **Table 3**, the three life insurers have complied with regards to the norms set for the Investment Committee

Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee works with the Board to develop policies that are compatible with the standards the Board has authorized for the composition and compensation of the Directors, key managerial staff, and other employees. The Committee oversees and manages the Board's self-evaluation of its performance as well as senior management succession planning. The Committee

makes sure the Board has qualified and competent Directors. According to Section 178 of the 2013 Companies Act, the Nomination and Remuneration Committee must be established. Prior to the appointment, reappointment, or election of directors by the shareholders at the general meetings, this Committee shall carefully review the declarations of prospective applicants. The applications and information provided by those who wish to be appointed as Key Management Persons will also be carefully examined by the Committee.

Table 4: Compliance of Nomination and Remuneration Committee as per IRDA

Nomination and Remuneration Committee Parameters	ICICI PRULIFE			HDFC LIFE			SBI LIFE		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Total committee members (with at least three non-executive directors).	4	4	7	8	8	7	6	6	7
Half of the committee shall comprise of independent directors	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The chairman should be an Independent Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The Remuneration policy for directors and KMPs recommended by this committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Meetings held during the year (at least four meetings in a year)	04	06	05	07	05	06	04	08	06

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19,2019-20,2020-21)

Table 4 highlights that all the three private life insurance companies are fully complying with the nomination and remuneration guidelines.

Board Customer Service & Policyholder Protection Committee

The Board Customer Service & Policyholders' Protection Committee works with the Board to safeguard the policyholders' interests and enhance their interactions with the company at all points in their relationship. In this regard, the Committee seeks to update and oversee policies and practices for dispute resolution and grievance handling, disclosure of "material information" to policyholders, and adherence to legal obligations. Each insurer shall establish a Policyholder Protection Committee in order to handle the many compliance concerns connected to the protection of policyholder interests, to educating and informing them about insurance products and complaint-handling procedures. An expert or consumer representative must be invited to the committee, which will be led by a Non-Executive Director and will help insurers develop policies and evaluate their compliance. The Committee will propose a customer education policy for the Board's approval and oversee its effective implementation.

Table 5: Compliance of Policyholder Protection Committee IRDAI Guidelines

Policyholder Protection Committee	ICICI PRULIFE			HDFC LIFE			SBI LIFE		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Under the Policy, the Committee shall consist of at least two Non-Executive Directors and an Expert/ Representative of Customers as an Invitee to the Committee	4	6	7	7	8	8	5	7	7
Committee has Consumer representative	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Meetings held during the year (at least four meetings in a year)	5	5	8	6	8	6	4	5	4

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19,2019-20,2020-21)

As can be observed from Table 5, annual reports all the three private life insurance companies show the existence of Policyholder Protection Committee.

Risk Management Committee

The Committee assesses the Company's asset liability management (ALM) strategy as part of its risk management strategy in order to monitor all risks across the Company's numerous business lines and set up efficient defenses against such risks. The risk appetite and profile of the Company are also examined by the Committee. The Committee oversees the effective operation of the risk management system and advises the Board on significant risk issues.

Table 6: Compliance of Risk Management Committee IRDA Guidelines 2016

Risk Management Committee PARAMETERS	ICICI PRULIFE	SBI LIFE	HDFC LIFE
Composition of Committee	04	3 ID + 3 NID	7 MEMBERS 4 ID
The committee shall work under the guidance of Chief Risk Officer.	YES	YES	YES
Chief Risk Officer shall have direct access to the board of directors.	YES	YES	YES
Meetings held during theyear (at least four meetings in a year)	04	05	05

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19,2019-20,2020-21)

Corporate Social Responsibility Committee

The Committee's mandate is to create and recommend to the Board the Company's CSR policy. It creates the annual CSR strategy and periodically checks to see that the CSR policy is being followed as well as the CSR activities. The company's website has its Corporate Social Responsibility Policy posted there in accordance with section 135 of the CA2013.

When certain requirements outlined in Section 135 of the Companies Act, 2013 are met, a CSR Committee must be established. If an insurance firm in India generates a Net Profit of at least Rs. 5 crores during the previous fiscal year, a CSR Committee must be established. The Committee's mandate is to create and recommend to the Board the Company's CSR policy. Additionally, it aids in creating the annual CSR plan, keeping track of CSR actions, and making recommendations to the Board. The committee is made up of the president of actuarial and risk management, the chief risk officer, the chief financial officer, and the chief of human resources and management. There are also three non-independent directors and two independent directors.

Table 7: Compliance of CSR Committee IRDA Guidelines 2016

CSR Committee	ICICI PRULIFE	SBI LIFE	HDFC LIFE
Members	4 Members 01 Id	2 & 3 non ID	5 Members 2 ID
The CSR policy formulated by the committee to be approved by the board.	Yes	Yes	Yes
The CSR expenditure to be based on three years average profits.	YES	YES	YES
The expense of CSR activities not to be charged to policyholders' account.	YES	YES	YES
Meetings held during the year (at least four meetings in a year)	02	05	02

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19, 2019-20, 2020-21)

With Profits Committee

The IRDA (Non-Linked Insurance Products) Regulations 2013, which were published by the Authority, provide the guidelines for asset sharing and with-profit fund management, among other things. Every life insurer that transacts life insurance business must have a With Profits Committee made up of the CEO, an Appointed Actuary, an Independent Director, and an Actuary. The Committee will convene as frequently as necessary to conduct business and perform the following duties:

The Actuarial Report and Abstract provided by the insurers to the Authority shall have the With Profits Committee's report regarding the aforementioned matters attached. Any additional requirements relating to the composition and/or operation of the With Profits Committee must always be complied with, according to the Board of an insurer.

Table 8: Compliance of With Profits Committee IRDA Guidelines 2016

With profits committee	ICICI PRULIFE	SBI LIFE	HDFC LIFE
Committee comprises of independent director, CEO, Appointed Actuary and Independent Actuary.	01 ID CHAIRMAN CEO CFO APPOINTED ACTUARY	1 ID 3 NID OTHERS	YES AS PER NORMS
Meetings held during the Year (at least four meetings in a year)	01	02	01

Source: Annual Reports of ICICI Prudential, HDFC Life, SBI Life (2018-19, 2019-20, 2020-21)

The Board may have a committee for ethics, one for assets and liabilities, and others. These rules will apply to these committees once the Board creates an Ethics Committee or an Assets Liability Committee.

It was found that ICICI PRU Life, SBI Life, and HDFC Life have to a great extent disclosed the details as required by the regulators under various statutes and corporate governance guidelines 2016 after reviewing and analyzing the three years annual reports of the top five life insurers in India for the year 2019. However, SBI Life was hit with four charges and a fine of Rs. 4 lakhs in 2019 for breaking the rules governing the protection of policyholders' interests.

Therefore, it may be inferred that even if companies are reporting in accordance with standards, committees are established, or they win awards for excellence in financial reporting or corporate governance, it cannot be assumed that the rules are strictly followed and implemented.

The authorities must be extremely proactive in their onsite inspections, closing any gaps that could be used against the insurer, enforcing stiff penalties, and ensuring that there is full compliance in letter and spirit. The insurance industry's regulators need to have a zero tolerance policy for breaking laws and regulations, and they need to follow it with harsh fines or possibly the cancellation of the insurer's license.

Footnote

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- 9) <https://www.policyholder.gov.in/Default.aspx>.
- 10) <https://blog.ipleaders.in/insurance-corporate-governance/>
- 11) https://www.policyholder.gov.in/IRDA_Journal.aspx