

## CHAPTER IV : MINISTRY OF FINANCE

### Department of Economic Affairs

### Insurance Regulatory and Development Authority

#### 4.1 Improper appointment of consultant and advisor

**The Insurance Regulatory and Development Authority appointed two whole-time members as consultant and advisor respectively and determined their emoluments arbitrarily which called into question the propriety of their appointments.**

According to the guidelines issued in February 1998 by the Government of India, the consolidated fee payable to the consultant should not exceed Rs. 26,000/- *per month* (with no DA, HRA, CCA or any other relief). The Central Vigilance Commission (CVC) had stressed that appointment of consultant should be done in a transparent manner and after following the competitive tendering system.

Insurance Regulatory and Development Authority (IRDA) in its meeting of 30 May 2005 approved appointment of Shri A as Consultant who was to demit office as Member (Actuary) on 31 May 2005 with effect from 01 June 2005 and authorised the Chairman to finalise the details of terms and conditions of his appointment. The decision of the IRDA was taken in the meeting in which the retiring Member (Actuary) himself participated in his capacity as whole-time Member. The Government nominee who participated in the meeting of the IRDA acquiesced on such appointment, despite serious breach of the propriety.

The appointment of Shri A was initially approved by Chairman for one year from 01 June 2005, which was subsequently extended by six months. As Member (Actuary) in the grade of Rs. 22,400 – 24,500 he retired with aggregate monthly emoluments of Rs. 0.60 lakh. Against this, the total emoluments of the consultant approved by the Chairman during the 18 months aggregated Rs. 21.57 lakh at the rates of Rs. 0.74 lakh during the first three months and Rs. 1.29 lakh during the remaining 15 months, which included monthly house rent allowance of Rs. 18,000/-. According to the Government instructions for appointment of consultants in the Government Departments, there is a ceiling of Rs. 26,000/- *per month* for remuneration of a full-time consultant. It is incumbent upon the Chairman to fix remuneration of consultants for IRDA in line with Government instructions. The Chairman,

thus, exercised the delegated Authority for providing undue benefit to the full time consultant and fixed remuneration in excess of the ceiling applicable to the Central Government.

In another case, the Chairman, IRDA appointed a whole-time Member, Shri B as Advisor with effect from 05 October 2005 for six months, within 35 days from his date of demitting the office as Member of the IRDA on 31 August 2005. His all inclusive remuneration for six months was fixed at a lump sum of Rs. 2.70 lakh, payable in parts on monthly basis, which was also considerably higher than the maximum of Rs. 26,000/- *per month* prescribed by Central Government. It was not prudent to fix remunerations disproportionate to the ceiling applicable to the consultants in the Central Government.

The Ministry stated in August 2007 that determination of the terms of consultancy by the Chairman was within the power vested in him under Section 9 of its Act. The Ministry justified the payment of actuarial allowance of Rs. 65,000/- *per month* on the ground that remuneration was paid as per industry practice, and ceiling of Rs. 26,000/- *per month* was beyond reality.

The reply of the Ministry is not tenable due to the following:

- (i) The scales of pay of the Chairman and members in the IRDA are corresponding to the scale of equivalent posts in the Central Government. Therefore, IRDA ought to follow consistency in the remuneration of the consultants also with those in the Central Government.
- (ii) Reference to Section 9 of the IRDA Act for justification of the fixation of the remuneration is not relevant to the issue since Section 9 refers to the powers of the Chairman on general superintendence and direction in respect of administrative matters and cannot be interpreted as power to arbitrarily fix remuneration of the consultants.
- (iii) The higher remuneration on the plea of industry practice is a *post facto* rationalisation ignoring the fact that the scales of the employees in the IRDA, including those of the serving Chairman and Members are corresponding to those prescribed in the Union Government. If the ceiling of Rs. 26000/- as remuneration of consultants in the Union Government is within reality, there is no ground to argue that it is beyond reality in an autonomous body.

- (iv) The Ministry in its reply, did not address the point of the breach of propriety of the beneficiary himself being a party to the decision to appoint himself in one case and practically immediate appointment as Adviser after the end of his term in IRDA in the other case.