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भारतीय बीमा विनियामक और विकास प्राधिकरण  
INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY OF INDIA

IRDAI/F&I/ORD/MISC/119/6/2023

2<sup>nd</sup> June 2023

## ORDER

**In terms of sub-section (2) of Section 52B of the Insurance Act, 1938  
to transfer the life insurance business of  
Sahara India Life Insurance Co. Ltd., to SBI Life Insurance Co. Ltd.**

- Reference is drawn to:
  - the IRDAI order no. IRDA/F&A/ORD/MISC/310/12/2020 dated 30<sup>th</sup> December 2020,
  - the Order dated 11<sup>th</sup> January 2018 passed by Hon'ble Securities Appellate Tribunal,
  - the IRDAI Order IRDA/F&A/ORD/FA/148/06/2017 dated 23<sup>rd</sup> June 2017 and
  - the IRDAI Order IRDAI/F&A/ORD/FA/134/06/2017 dated 12<sup>th</sup> June 2017.
- Sahara India Life Insurance Co. Ltd (SILIC) was granted Certificate of Registration No. 127 on 6<sup>th</sup> February 2004 to transact the business of life insurance. The Shareholding pattern of SILIC as on 31<sup>st</sup> March 2023 is as follows:

Name of the shareholder	% of shares
M/s Sahara India Financial Corporation Limited (SIFCL)	50.00
M/s Sahara Care Limited (SCL)	40.00
M/s Sahara India Commercial Corporation Limited (SICCL)	4.27
M/s Sahara Infrastructure & Housing Limited (SIHL)	3.82
M/s Sahara Prime City Limited	1.27
M/s Sahara One Media & Entertainment Limited	0.48
M/s Master Chemicals Limited	0.16

- Considering the serious nature of the concerns set out in detail in Insurance Regulatory and Development Authority of India (IRDAI) Order IRDAI/F&A/ORD /FA/134/06/2017 dated 12<sup>th</sup> June 2017, there were cogent reasons to believe that the insurer was acting in a manner likely to be prejudicial to the interests of holders of life insurance policies of SILIC and the orderly growth of the insurance sector as a whole. Accordingly, SILIC was found to be a fit case for invoking the provisions of sub-section (1) of Section 52A of the Insurance Act,

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1938 (Insurance Act) which empowers the Authority to appoint an Administrator to manage the affairs of the insurer under the direction and control of the Authority. Accordingly, a General Manager of the IRDAI was appointed with immediate effect as the Administrator of SILIC on 12<sup>th</sup> June 2017.

4. The Administrator submitted his report under sub-section (1) of Section 52B of the Insurance Act vide letter dated 22<sup>nd</sup> June 2017. The Administrator's findings indicated total failure of the governance system of SILIC and that the interest of the policyholders was at stake. The Administrator was of the view that the company should not be allowed to carry on business due to the following concerns:
  - i. The promoters of the company were no more 'fit & proper';
  - ii. A sum of Rs.78.15 crore had been diverted in the name of the security deposits;
  - iii. The shareholders and Board of Directors were not keen on a recovery plan;
  - iv. The company was mainly surviving on the release of reserves, however, the situation was not sustainable since the new premium of the company had decreased significantly;
  - v. The affairs of the company were not managed by its Board, instead the affairs were managed by the Non-Executive Chairman.
  
5. In view of the above, to protect the interests of the policyholders, the following course of action was recommended by the Administrator:
  - i. The company may be advised to stop underwriting new business with immediate effect;
  - ii. The existing business of the insurer may be transferred to some other insurer;
  - iii. Till the existing business is transferred, the company may be allowed to receive renewal premium and service existing policyholders.
  
6. Accordingly, the Authority vide Order dated 23<sup>rd</sup> June 2017, under sub-section (2) of Section 52B of the Insurance Act, directed SILIC:
  - i. not to procure or collect proposal deposits and not to underwrite new business;
  - ii. to continue the collection and accounting of the renewal premium; and
  - iii. to continue servicing of the existing business and policyholders, unhindered.
  
7. On the basis of multiple correspondences as well as personal hearing given to SILIC, the Authority concluded that permitting SILIC to transact life insurance business was not in the interests of the holders of life insurance policies. It was therefore decided that the life insurance business of SILIC should be transferred to another life insurer.

8. After following due process, a suitable insurer was shortlisted as the acquirer of the life insurance portfolio of SILIC. Under sub-section (2) of Section 52B of the Insurance Act, such insurer was directed to take over the 'life insurance portfolio' of SILIC on the appointed date, i.e., 31<sup>st</sup> July 2017 vide IRDAI Order dated 28<sup>th</sup> July 2017. Through the same Order, SILIC was also directed "not to carry on life insurance business" with effect from the appointed date.
9. SILIC preferred to appeal against the Orders of IRDAI before the Hon'ble Securities Appellate Tribunal (SAT). Hon'ble SAT had given hearing in the matter on various dates between August 2017 and November 2017. The Order was pronounced and issued by Hon'ble SAT on 11<sup>th</sup> January 2018, wherein the Hon'ble SAT took the following decisions:
  - i. It upheld the IRDAI Order dated 12<sup>th</sup> June 2017 (related to appointment of the Administrator); and IRDAI Order dated 23<sup>rd</sup> June 2017 (related to prohibiting SILIC from procurement/collection of proposal deposits/underwrite new business); and
  - ii. It quashed the IRDAI Order dated 28<sup>th</sup> July 2017 (for effecting the transfer of life insurance portfolio of SILIC to the identified insurer), restoring the whole matter to the file of IRDAI with a direction to proceed from the stage of seeking a representation/response from the Appellant (i.e., SILIC) on the Administrator's report in question as well as providing the opportunity to SILIC of being heard in consonance with the principles of natural justice. Hon'ble SAT had also directed in the same order that during the fresh hearing to be offered by the IRDAI to SILIC, any of the parties, if it wishes to produce some documents or summon it from the other party, the said request shall also be considered as per law by affording an opportunity in this regard.
10. In consonance with the Hon'ble SAT's aforesaid Order dated 11<sup>th</sup> January 2018, and directions contained therein, in order to seek a representation/ response from the SILIC on the Administrator's report in question as well as providing opportunity to SILIC of being heard in consonance with the principles of natural justice, a copy of Administrator's report was provided to SILIC, on 18<sup>th</sup> January 2018, seeking their reply/ response. On receipt of responses of SILIC thereon, the matter was reviewed and a Show Cause Notice (SCN) was issued to SILIC vide IRDAI letter dated 15<sup>th</sup> January 2019, providing one more opportunity of being heard. Subsequent to the personal hearing given on 3<sup>rd</sup> December 2019, SILIC submitted details sought during the personal hearing vide their letter dated 26<sup>th</sup> December 2019.
11. After complying with the directions issued by Hon'ble SAT, the entire matter was carefully examined by the Authority. After due consideration of the observations of the Administrator, the Investigating Officer (appointed under Section 33 of the Insurance Act) and the submissions made by SILIC, the following directions were issued by IRDAI under sub-section (2) of Section 52B of the Insurance

Act, 1938 vide order dated 30<sup>th</sup> December 2020, providing one more opportunity to SILIC to take necessary steps to address various concerns:

- i. *SILIC shall take immediate steps to recover the advance of Rs.78.15 crore from M/s Sahara India. The principal amount should be recovered within a period of 3 months and the interest should be recovered fully within a further period of one month.*
- ii. *As the promoters SIFCL, SCL, SICCL and SIHL are no longer found to be "fit and proper", the shareholding by these four entities should be transferred to any other "fit and proper" promoters within a period of six months, subject to the provisions of IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015.*
- iii. *SILIC is directed to submit a proper Board approved "business plan" to IRDAI within 3 months.*
- iv. *SILIC is directed to reconcile all the remaining unreconciled bank account(s) as on 31st March 2020 within a period of 2 months.*
- v. *SILIC is directed to strengthen its internal control systems and conduct its business in accordance with sound corporate governance practices on a continuing basis.*

12. Subsequent to the issuance of the Order dated 30<sup>th</sup> December 2020, multiple status updates were sought from SILIC, to afford SILIC ample opportunity to submit its progress. Though SILIC responded through various communications, none of these demonstrated any meaningful compliance with the IRDAI's order dated 30<sup>th</sup> December 2020.

13. Despite regular follow-ups, repeated reminders and advices, SILIC failed to demonstrate compliance with the Order of the Authority dated 30<sup>th</sup> December, 2020. This persistent non-compliance is reaffirmed in the most recent monthly report dated 12<sup>th</sup> May 2023 submitted by the Administrator of SILIC to the Authority. The observations of the Administrator are summarised below:

- i. In relation to the obligation to recover the advance of Rs.78.15 crore from M/s Sahara India on or before 29<sup>th</sup> March, 2021: only a sum of Rs.8 crore has been received by SILIC from Sahara India on 12<sup>th</sup> August 2021.
- ii. In relation to the obligation to transfer of the shares of SILIC from the existing promoters (who were no longer fit and proper) to any other "fit and proper" promoters within a period of six months: no definitive action had been undertaken by SILIC or its promoters.
- iii. In relation to the obligation to submit a board approved "business plan" to IRDAI within 3 months: the plan submitted was incomplete on material respects.
- iv. In relation to the obligation to reconcile all the remaining un-reconciled bank account(s) as on 31st March 2020 within a period of 2 months, 2 accounts were still unreconciled.

- v. In relation to the obligation to strengthen its internal control systems, serious operational issues had been observed repeatedly which continued to raise concerns on SILIC's governance practices.

Hence, it is evident that SILIC remains non-compliant to the directions of the Authority contained in the Order dated 30<sup>th</sup> December, 2020.

14. It is observed that the policy data of SILIC indicates that the company's portfolio is showing run-off trend. Analysis of the financials of SILIC reveals that it has been incurring losses (post tax) since FY 2019-20. The financial position is deteriorating with rising losses and higher percentage of claims to total premium. Data of 'policy liabilities' indicate that the mortality risk is spread on a relatively smaller portfolio which may require higher mathematical reserve as the claims outgo may increase. As the portfolio decreases, the funds available for investment and investment flexibility would be affected which will lead to lower yield. Reduction in 'in-force policies' count will increase the per policy expenses and SILIC need to provide for higher reserves in respect of expenses. If the trend is allowed to be continued, situation will worsen and lead to erosion of surplus capital and SILIC may not be able to discharge its liabilities towards policyholders, endangering the interest of its policyholders.
15. An update was once again sought from SILIC on 9<sup>th</sup> May 2023 on the status of compliance with the directions dated 30<sup>th</sup> December 2020 issued by IRDAI under sub-section (2) of Section 52B of the Insurance Act.
16. The response submitted by SILIC vide mail dated 12<sup>th</sup> May 2023 has made no mention of progress made/ status of compliance with the directions issued by IRDAI on 30<sup>th</sup> December 2020. SILIC has not made any material effort to recover the remaining amount of diverted funds (Rs.70.15 crore along with interest thereof), it has not strengthened the internal controls and still has not fully reconciled the identified bank accounts. These remedial actions, required to be undertaken by SILIC, have always been within their control and they have not been restrained by any authority or any other judicial forum in any manner whatsoever. Compliance with the various directions issued by IRDAI on 30<sup>th</sup> December 2020 would have demonstrated SILIC's good faith and intent to act in the best interests of its policyholders. On the contrary, SILIC has merely resorted to evasive and incomplete responses by reference to the appeal pending before the Hon'ble SAT.
17. Based on the above facts, and unsatisfactory responses submitted by SILIC, the Authority has now come to the conclusion that despite being provided ample time and several opportunities to rectify its state of affairs, SILIC continues to be recalcitrant in compliance with the directions of the Authority.
18. In view of the above, and in light of the continuous deterioration of the financial position of SILIC, a decisive and firm action is warranted to achieve the

objective of protecting and promoting the general interest of the holders of life insurance policies of SILIC.

19. After due consideration of all surrounding facts and circumstances, the Authority has decided that the life insurance business of SILIC (as detailed hereinafter) is to be transferred to another suitable life insurer with immediate effect. The Authority has identified SBI Life Insurance Company Ltd., as the acquirer insurer for the transfer of the life insurance business of SILIC.
20. Accordingly, exercising the powers conferred under sub-section (2) of Section 52B of the Insurance Act 1938, for protecting and promoting the interests of the holders of life insurance policies issued by SILIC, the Authority, vide this order number IRDAI/F&I/ORD/MISC/119/6/2023, dated 2<sup>nd</sup> June, 2023 hereby orders, the transfer of the life insurance business of SILIC to SBI Life Insurance Co. Ltd. (Acquiring Insurer), bearing Certificate of Registration Number: 111 and having its Registered Office at: "Nataraj", M.V Road & Wester Express Highway Junction, Andheri (East), Mumbai 400069, with immediate effect.
21. With immediate effect, i.e., as on the date of this order:
  - i. The Acquiring Insurer assumes the life insurance policy liabilities of SILIC as per the valuation of the Independent Actuary as on date of this Order;
  - ii. Life insurance policy liabilities of SILIC which *inter alia* includes the following:
    - a. Unallocated premium,
    - b. Funds for Future Appropriation,
    - c. Claims outstanding,
    - d. Unclaimed amount including un-encashed cheques/ NEFT,
    - e. Claims settled but not encashed,
    - f. Any other liabilities pertaining to the policyholders.
  - iii. Following assets/investments of SILIC also stand transferred to the Acquiring Insurer on irreversible basis:
    - a. The investments/deposits pertaining to the policyholders,
    - b. Loans against policies,
    - c. Outstanding premiums,
    - d. Accrued income on investments/deposits,
    - e. Cash or Cash equivalent remaining in bank accounts earmarked for policyholders,
    - f. Any cash/cheques lying with the branches of the SILIC on account of premium on life insurance policies issued by SILIC,
    - g. Any other assets pertaining to the policyholders.

Provided that:

- I. the policyholder liabilities as per the statutory valuation report submitted by the Appointed Actuary of SILIC in respect of valuation conducted as on 31<sup>st</sup> March 2023 stands transferred;
  - II. the policyholders' assets held in the various accounts of SILIC as on the date of this Order stands transferred;
  - III. the policyholders' liabilities beyond 31<sup>st</sup> March 2023 till the date of this Order, shall be transferred/ adjusted based on the report of valuation of insurance liabilities of SILIC by the Independent Actuary appointed by the Authority as at para 21(i) above. Shortfall of assets, if any, as per proviso (II) above, shall be transferred by SILIC to the Acquiring Insurer post submission of the valuation by the Independent Actuary. Similarly, surplus of assets, if any, over and above the policy liabilities as on the date of this Order post submission of the valuation by the Independent Actuary would be transferred back to SILIC by the Acquiring Insurer;
  - IV. all the bank accounts and fixed deposits etc., earmarked for policyholders stand transferred to the Acquiring Insurer.
22. SILIC and its promoters/ shareholders shall:
- i. Transfer all records pertaining to the policyholders (both in physical and electronic format) to the Acquiring Insurer within 21 working days from the date of this Order;
  - ii. Finalize and submit the audited annual accounts for the year 2022-23 to the IRDAI within 21 working days from the date of this Order;
  - iii. Finalize and submit the financial results for the current financial i.e., 2023-24 upto the period ended 2<sup>nd</sup> June, 2023, to the IRDAI within 45 days from the date of this Order;
  - iv. Reimburse the salary, allowances and other expenses incurred by the Administrator and other expenses incurred by the IRDAI in relation to this matter within 90 days from the date of this Order;
  - v. Be responsible for all liabilities other than the policyholders' liabilities transferred to the Acquiring Insurer. The statutory liability such as income tax, GST, employees' statutory dues, etc., entirely rest with SILIC;
  - vi. Be liable for any non-compliance/pending compliance with any judicial order or award passed against it prior to the date of this Order; and
  - vii. Co-operate in transfer of all records, access to systems data to the acquiring insurer.

The time limits mentioned in sub-paras (i) to (iv) above, may be extended by IRDAI, if considered necessary to do so.

23. Shareholders' investments shall continue to be under the control and supervision of Administrator until further orders of the IRDAI.

24. SILIC shall cease to transact the business of life insurance with immediate effect.
25. The servicing of policies issued by SILIC shall be carried out by the Acquiring Insurer unhindered. Efforts shall be made by the Acquiring Insurer to ensure that systems/processes are integrated at the earliest, in order to ensure smooth acquisition and servicing of policies.
26. SILIC and the Acquiring Insurer shall immediately host a copy of this Order on their respective website in a prominent location. Further, SILIC and the Acquiring Insurer shall cause to publish a public notice informing all concerned of the transfer of life insurance business of SILIC to the Acquiring Insurer, in two national level widely circulated newspapers (one in English and the other in Hindi).
27. SBI Life Insurance Co. Ltd, i.e. the Acquiring Insurer shall:
  - i. Ensure the confidentiality of the policyholders' data pertaining to the life insurance business.
  - ii. Ensure that to the extent of the life insurance business taken over, the systems of SILIC are integrated into the systems of the Acquiring Insurer at the earliest, but not later than a period of one year from the date of this Order.
  - iii. Take the necessary steps to bring about compliance with KYC/AML guidelines as issued by IRDAI and set up systems in this regard.
  - iv. Comply with the IRDAI (Investment) Regulations, 2016 as regards the life insurance business of SILIC on a standalone basis and on overall basis by 31<sup>st</sup> March 2024.
  - v. Be liable only for the policyholder liabilities on the books of SILIC from the date of issuance of this Order. All the statutory compliances as regards the said business shall be ensured by the Acquiring Insurer.
  - vi. Give notice to all policyholders confirming the takeover and also informing the policyholders of SILIC the manner in which policies will be serviced by the Acquiring Insurer. Notice shall also be sent by the Acquiring Insurer to all the policyholders of SILIC in the matter through SMS/e-mail/post.
  - vii. Make available FAQs with regard to servicing of policyholders of SILIC and also publish the same on their website. A dedicated cell/ e-mail address shall be created to address any concerns/ issues of policyholders of SILIC.
28. In terms of sub-section (3) of Section 52B of the Insurance Act, this Order is binding on all persons concerned and shall have effect notwithstanding anything in the memorandum or articles of association of SILIC or of the Acquiring Insurer.



29. If any doubt arises in the interpretation of the provisions of this Order, the matter shall be referred to the IRDAI and its views and decisions on the issue shall be final and binding on all concerned.
30. This Order shall come into force with immediate effect.



**Rakesh Joshi**  
Member (F&I)