



Ref: IRDAI/E&C/ORD/MISC/102/07/2024

**Final Order in the matter of M/s Aegon Life Insurance Company Ltd., now known as
Bandhan Life Insurance Ltd.,**

1. Based on the:

- 1.1 Show Cause Notice ("SCN") reference No. IRDA/ Enforcement/2020/544/SCN dated 22nd February, 2024 in connection with the inspection conducted by the Insurance Regulatory and Development Authority of India ("the Authority") from 10th to 14th August, 2020.
- 1.2 Response of M/s Aegon Life Insurance Company Ltd., now known as Bandhan Life Insurance Ltd., ("the "Insurer") dated 15th March, 2024 to the aforesaid SCN.
- 1.3 The submissions made by the Insurer during the personal hearing held on 31st May, 2024 at 11:00 AM, by the panel of two Whole Time Members of the Authority- Shri B C Patnaik (Member-Life) and Shri Rajay Kumar Sinha (Member F&I) and further submissions made post personal hearing vide letter dated 03rd June, 2024.

2. Background:

- 2.1. The Authority had conducted an inspection of the insurer from 10th to 14th August, 2020. The inspection report, inter alia, revealed certain violations of provisions of the Insurance Act, 1938, Regulations and Guidelines issued thereunder.
- 2.2. A copy of the inspection report was forwarded to the insurer seeking their response and the response was received on 16th November, 2020. On examining the submissions made by the insurer, a show cause notice (SCN) was issued on 22nd February, 2024. The Insurer replied to the SCN vide letter dated 15th March, 2024. As requested for by the insurer, personal hearing was granted to them on 31st May, 2024.
- 2.3. On behalf of the insurer, Shri Satishwar B, Managing Director & Chief Executive Officer; Shri Jitin Parekh, Chief Compliance Officer and on behalf of the Authority, Shri B C Patnaik (Member Life) and Shri Rajay Kumar Sinha (Member F&I), Shri R K Sharma (Chief General Manager), Shri T Venkateswara Rao (General Manager), Shri Sanjay



Kumar Verma (General Manager) and Shri Viswanath V (Manager) attended the hearing.

2.4. The written submissions made by the insurer vide its letter dated 3rd June 2024 and submissions during the personal hearing on 31st May, 2024 have been carefully considered by the Authority and are summarized below:

3. Charge No. 1: Inspection observations No.1 & 2

3.1. Inspection Observation No.1:

Violation of clause 3.4 of AML Master Circular dated 28th September, 2015.

Internal audit towards Anti Money Laundering (AML) was not done or reviewed by the internal audit department of the insurer for the year 2017-18 and 2018-19. Internal audit relating to different subject was done except AML during the year 2017-18 and 2018-19. Further, it was also observed that the internal audit report as submitted by the insurer vide mail dated 13th August, 2020, was unsigned. Thus, it is evident that Internal Audit or Inspection department did not verify compliance with policies, procedures and controls relating to money laundering activities on a regular basis. The reports of Internal Auditors did not verify AML and comment specifically on the robustness of the internal policies and processes on money laundering activities.

3.2. Inspection Observation No.2:

Violation of Clause No.3.1.13. (i)(b) of AML master circular dated 28th September, 2015 and clause 4(b) of Circular No. IRDA/INSP/CIR/ONS/157/09/2018 dated 19th September, 2018.

From a sample of 58 cases, it was observed that Suspicious Transaction Reports (STR) to Financial Intelligence Unit – India (FIU-IND) were not filed within 7 working days from the date of transactions being identified as suspicious transactions. The transactions identified or satisfied to be reportable as suspicious, were required mandatorily to be approved by the competent authority of the insurer. The documentary evidences



showing the date of approval of the competent authority were not submitted by the insurer for 26 number of sample cases.

4. Summary of Insurer's submissions:

- 4.1 The insurer has submitted that all the process audits were also looking into the compliances of various AML processes. Further, they had noted the observations of the Authority and initiated separate AML audits. The insurer has shared a copy of the AML Audit carried out for the financial year 2021-22 which brings out certain observations on compliance of AML/CFT Guidelines and the action taken by the management to correct the system.
- 4.2 Post the inspection, the Company has reviewed the existing process of identification of suspicious transactions as well as reporting of the same to FIU in case required. Further, they have submitted that the process has been enhanced and strict monitoring is now in place.

5. Decision

- 5.1. An (external or internal) independent audit function to test the AML/CFT system is of paramount importance in this context. Internal audit could include sample testing to identify possible activities leading to Money Laundering.
- 5.2. By not carrying out internal audit towards AML, insurer has failed to demonstrate that it has robust and effective processes to comply with the AML/CFT Guidelines issued by the Authority. Further, the Audit report submitted by the insurer post personal hearing, is unsigned and still contains a few observations on non-compliance of AML/CFT Guidelines.
- 5.3. It is the responsibility of the insurer to report any transaction identified as suspicious (STR) to the Financial Intelligence Unit (FIU) within the specified timeline. However, delay varying from 15-37 days in filing of STR has been observed..



5.4. During the personal hearing, the insurer was advised to submit corrective measures taken and submit supporting documents in this regard. However, the insurer failed to submit documentary evidence in support of having required systems in place in this regard and filing of all STRs within the specified time.

5.5. Thus, the insurer is in contravention of clause 3.4 and Clause No.3.1.13. (i)(b) of AML Master Circular dated 28th September, 2015 respectively.

5.4 In view of the above, in exercise of the powers vested under Section 102(b) of the Insurance Act, 1938, the Authority hereby imposes a penalty of Rs.1 crore (Rupee one crore) for the violation of clause 3.4 of AML Master Circular dated 28th September, 2015 and Clause No.3.1.13. (i)(b) of AML master circular dated 28th September, 2015.

5.5. The insurer is further directed to

- **Take immediate steps to address the issues pointed out in the audit and adhere to AML/CFT Guidelines issued by the Authority in letter and spirit.**
- **File a certificate signed by the MD&CEO and CCO confirming the due adherence of AML processes. The certification shall reach the Authority within 21 days from the date of this Order.**

6. Charge No. 2: Inspection Observation No. 4 and 5

6.1. Inspection observation No.4:

Violation of the provision of Regulation 17 (2) of the IRDAI (Protection of Policyholders' Interests) Regulations, 2017.

The complaint closure letters by the insurer did not provide the details of insurance ombudsman of competent jurisdiction. It was observed that the insurer did not inform the complainant of the option to take up the matter before insurance ombudsman giving details of the name and address of the Ombudsman of competent jurisdiction.

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6.2. Inspection observation No.5:

Violation of Regulation 5 of the IRDAI (Protection of Policyholders' Interests) Regulations, 2017 to be read with Clause 4(g)(ii) of Authority's Guidelines for grievance redressal by insurance companies Ref No. 3/CA/GRV/YPB/10-11 dated 27/07/2010.

The insurer did not inform the complainants about the manner of closure of complaints. It was observed that the insurer did not inform the complainant that it would regard the complaint as closed if it did not receive a reply within 8 weeks from the date of receipt of response by the insured/policyholder.

7. Summary of Insurer's submissions:

- 7.1. The insurer has shared the sample letters as containing relevant disclosures to the policyholders.
- 7.2. The letter also informs the customer that in case they do not receive the response within 8 weeks from the letter the Complaint will be considered as closed. Further, as part of the Grievance Redressal Policy adopted by the Board, the grievance redressal procedure also highlights clearly the various levels of escalation available to the customer and informs the customer of the option to approach the Insurance Ombudsman in case not satisfied with the resolution provided by the Company.

8. Decision on Charge No. 2:

It is noted that the sample resolution letters sent by the insurer do not contain the details of the Ombudsmen and their competent Jurisdiction. Accordingly, the insurer is directed to take necessary corrective action and file a certificate signed by MD&CEO and CCO confirming the due adherence of Regulations and Guidelines on Protection of Policyholders, systems and processes to the extant



instructions in this regard. The certification shall reach the Authority within 21 days from the date of this Order.

9. Charge No. 3: Inspection observation No.13

Violation of Clause 10 (ii) and 10(iii), Form T of Schedule VI, Regulation 29 of IRDA (Insurance Web Aggregators) Regulations, 2017.

The Standardized Scripts are not approved by the Compliance Officer and they do not contain mandatory disclosure. The scripts were not dated, not signed and not approved by the Compliance Officer of the insurer. The script is not mandatorily mentioning that the prospect is advised to refer to the detailed prospectus available at the website of the insurer and that the prospectus shall be sent to his email id wherever available.

10. Summary of Insurer's submissions:

The insurer submitted that they do not have any arrangements with web aggregators for soliciting the business through tele-marketing. The customers are called only in case of any assistance required during the ISNP journey on the web aggregator platform.

11. Decision on Charge No. 3:

The insurer, during the personal hearing stated that they do not have any arrangement with the web aggregators for soliciting the business through tele-marketing. The insurer's approach in this matter lacked the level of diligence and care expected from a regulated entity and the insurer is directed to file a certificate duly signed by the MD/CEO and CCO of the insurer confirming the due adherence of the Standardized Scripts and related disclosures to the extant instructions/guidelines issued in this regard. The certification shall reach the Authority within 21 days from the date of this Order.

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**12. Summary of Decisions:**

Charge No.	Violation of Provision	Decision
1	(a) Violation of clause 3.4 of AML Master Circular dated 28th September, 2015. (b) Violation of Clause No.3.1.13. (i)(b) of AML master circular dated 28th September, 2015 and clause 4(b) of Circular No. IRDA/INSP/CIR/ONS/157/09/2018 dated 19th September, 2018.	Direction and penalty of Rupees One Crore
2	(a) Violation of Regulation 17 (2) of the IRDAI (Protection of Policyholders' Interests) Regulations, 2017. (b) Violation of Regulation 5 of the IRDAI (Protection of Policyholders' Interests) Regulations, 2017 to be read with Clause 4(g)(ii) of Authority's guidelines for grievance redressal by insurance companies ref no. 3/CA/GRV/YPB/10-11 dated 27/07/2010	Direction
3	(a) Violation of Clause 10 (ii) and 10(iii), Form T of Schedule VI , Regulation 29 of IRDA(Insurance Web Aggregator's) Regulations, 2017.	Direction

13. The penalty amount of Rs. 1 Crore (Rupees One Crore) levied under Charge No. 1 of this order shall be remitted by the insurer by debiting the Shareholders' Account within a period



of 45 days from the date of issuance of this order through NEFT/RTGS (details of which shall be communicated separately).

An intimation of remittance may be sent to Shri T Venkateswara Rao, General Manager (E&C) at the Insurance Regulatory and Development Authority of India, Survey No.115/1, Financial District, Nanakramguda, Hyderabad, 500032 email ID enforcement@irdai.gov.in

14. Further, the Order shall be placed before upcoming meeting of Risk Management Committee and also the Board of the Insurer. The Insurer shall provide a copy of the minutes of the discussion. The Insurer shall submit an Action Taken Report to the Authority on direction given within 45 days from the date of this Order.
15. If the insurer feels aggrieved by this Order, an appeal may be preferred to the Securities Appellate Tribunal as per the provisions of Section 110 of the Insurance Act, 1938.

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B C Patnaik
Member (Life)

A handwritten signature in blue ink, appearing to read 'Rajay Kumar Sinha'.

Rajay Kumar Sinha
Member (F&I)

Place: Hyderabad

Date: 15th July, 2024