

आर.के. नायर
सदस्य (एफ & आई)

R.K. Nair
Member (F & I)



बीमा विनियामक और विकास प्राधिकरण

INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

446/6/F&A/EML/2011-12/223/2013-14

12th March, 2014

Mr. Anup Rau,
Chief Executive Officer,
Reliance Life Insurance Co. Ltd.,
9th & 10th Floor, Building no. 2,
R-Tech Park, Nirlon Compound,
Next to Hub Mall, Behind I-Flex Building,
Goregaon (East),
Mumbai - 400 063.

Sir,

Sub: Contravention of the provisions of Sec 40B of the Insurance Act, 1938 read with Rule 17D of the Insurance Rules 1939 and the directions of the Authority issued there under.

Ref:

1. IRDA letter 446/6/F&A/EML/2011-12/28/2013-14 dated 2nd May 2013 ✓
2. Your reply letter vide ref_ dated 6th May 2013 / 6th June 2013 ✓
3. IRDA Show cause notice dated 23rd September 2013 ✓
4. Your reply dated 10th October 2013 ✓
5. Personal hearing dated 6th January 2014 ✓

The Authority has considered the contents of your letter under reference and observes the following:

1. Your Company was directed to bring the Expenses of Management (EoM) under Rule 17D of the Insurance Rules 1939, below 110% by 31st March 2010 and to below 100% by 31st March 2011 vide IRDA's letter Ref: 405/2/F&A/LEML/162/2007-08 dated 14th October 2009 addressed to Life Insurance Council, which was in turn forwarded by Insurance Council to your Company. ✓
2. It was observed that the expense ratio was 81.05 % and 94.19% during the financial years' 2009-10 and 2010-11 respectively. However, upon perusal of the statement on EOM submitted by your Company for the year 2011-12, it was inter-alia noted that your Company had deviated from the directions issued by the Authority. The EoM of Reliance Life Insurance Company Ltd. for the year 2011-12 was 106.54 %, which is in excess of the limits indicated for compliance. ✓

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3. In view of the non-compliance, letter dated 3rd January 2013 was issued to your Company, in terms of which your company was advised to explain reasons for such non-compliance. It was also advised to furnish business projections for 3 financial years with projected compliance with EoM for the financial year 2012-13 duly approved by the Board. In response to this, reply vide letter dated 6th May 2013/ 6th June 2013 was submitted. ✓
4. The Authority has noted that as per the projections made by your company, the expenses limits would be met by the year 2017-18. ✓
5. Meanwhile, EOM statement for the financial year 2012-13 was also submitted to the Authority. On perusal of this statement, it was observed that EoM of the Company for the financial year 2012-13 was 143.39 %, which again is in excess of the limits indicated for compliance. ✓
6. The Authority issued Show Cause Notice to the Company vide letter dated 23rd September, 2013 for the breach of Rule 17D during the FY's 2011-12 and 2012-13. ✓
7. The Company submitted its reply vide letter dated 10th October 2013. It is indicated thereby that the root cause of the problem analyzed by the Company was on account of a dip in New Business since FY 2011, which was mainly due to regulatory changes during the year 2010. Insurer further mentioned that they will be complying with rule 17D by the FY 2017-18. Insurer also requested for a personal hearing to put forth its view. ✓
8. Accordingly, the Company personnel were called for a personal hearing on 06.01.2014. They demonstrated during the personal hearing as to how the alternative approach of immediate compliance with 17D would necessitate scaling down of operations and pruning of branch network which in turn would impact future of the company and stakeholders losing confidence. It was again confirmed that the company will be in a position of 17D compliance only by the financial year 2017-18. ✓
9. In view of the above, in exercise of the powers conferred upon it under Section 14 of the IRDA Act, 1999 read with Sec 64K (2) of the Insurance Act, 1938, your company is hereby warned of the contravention with the provisions of section 40B of the Insurance Act, 1938 and advised to bring the expenditure levels within the prescribed limits under Rule 17D of the Insurance Rules, 1939 and the directions of the Authority issued there under by the end of the financial year 2014-15. ✓
10. Your company is further advised to note that any future occurrence of this nature resulting in non-compliance of the provisions of Insurance Act, 1938, the IRDA Act,

1999 and the Rules and Regulations issued there under, as also the various directions issued by the Authority shall be viewed seriously and visited with appropriate action by the Authority.

11. You are hereby, directed to bring this warning letter to the Notice of your Board in its next meeting. A copy of note placed before the Board and the duly certified relevant extract of the Board Resolution thereon, shall be filed with the Authority.

R K Nair
(R K Nair)
RL 12/3/13