



बीमा विनियामक और विकास प्राधिकरण

**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Ref:IRDA/F&A/WRN/EMT/185/11/2010

November 18, 2010

Shri M. Ramadoss
Chairman cum Managing Director
The New India Assurance Co. Ltd.
New India Assurance Bldg.
87, M.G. Road, Fort,
Mumbai – 400 001

Sub: Contravention of the provisions of Section 40C of the Insurance Act, 1938
Ref: (1) Letter of the Authority dated May 11, 2010
(2) Your response dated June 18, 2010

The Authority has considered the contents of your referenced letter and upon analysis of the same, observes the following:

1. Your company has admittedly exceeded the permissible limits on Expenses of Management under Section 40C of the Insurance Act, 1938 read with Rule 17E of the Insurance Rules, 1939 for the financial years 2004-05 (expense ratio under Rule 17E being 119.45%) 2005-06 (expense ratio under Rule 17E being 118.36%) 2008-09 (expense ratio under Rule 17E being 115.55%) and 2009-10 (expense ratio under Rule 17E being 125%)

2. For the year 2006-07, contrary to the contention of your company of its Expenses of Management being well within the limits, it is however observed that the same has been exceeded by 2.39%.

3. For the financial year 2008-09, while the expense ratio of your company under Rule 17E was found to be 116% (As per the revised data submitted vide letter dated 16th July 2010), it is also noted that your company has attributed the expenses over run to accounting of salary arrears for the previous year and actuarial liability amounting to ₹446.78 crore. On the said assumption and equalizing the impact of obligatory unforeseen expenditure on limits under Rule 17E, the Authority is of the opinion that the expense ratio for the year 2008-09 would work out to 86.96% and hence could be deemed to be within the permissible limits.

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4. As regards the data submitted by your company for the year 2009-10, it is observed that once again the prescribed limits under Rule 17E have been breached with an expense ratio of 110.35% despite giving credit to the impact apparently created by the arrears of employee benefits accounted during the year (without which the expense ratio would be 125%).

5. The Authority has also noted that your company has largely attributed breaching the maximum statutory permissible limits of the expenses of management to uncontrollable expenses of the company without substantiating the same. In the absence of any merit or justification in the said rationale, the Authority is inclined to reject the same.

6. In view of the above, in exercise of the powers conferred upon it under Section 14 of the IRDA Act, 1999 read with section 64M(2) of the Insurance Act, 1938, your company is hereby warned for having contravened the provisions of section 40C of the Insurance Act, 1938 and advised to bring the expenditure levels within the prescribed limits under Rule 17E of the Insurance Rules, 1939 by the end of the financial year 2010-11

7. Your company is further advised to note any future occurrence of this nature resulting in the non-compliance of the provisions of Insurance Act, 1938, the IRDA Act, 1999 and the Rules and Regulations issued thereunder as also the various directions issued by the Authority shall be viewed seriously and visited with appropriate action by the Authority.

8. 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.

(J. Hari Narayan)
Chairman

