



**बीमा विनियामक और विकास प्राधिकरण**  
**INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY**

Ref: IRDA/Life/ORD/Misc/228/10/2012

**Directions under Section 34 of the Insurance Act, 1938  
In the matter of M/s SBI Life Insurance Company Limited**

Whereas Clause C-4 of Guidelines on Group Insurance Policies given in Circular No. 015/IRDA/Life/Circular/GI Guidelines/2005 dated 14<sup>th</sup> July 2005 prescribes that there shall be no other payment whether as management expenses or documentation expenses or profit commission or bulk discount or payment of any description, to the agent or corporate agent or group organizer or group manager.

Whereas M/s SBI Life Insurance Company Ltd [hereinafter called Life Insurer] had made certain payments towards reimbursement of Group Administration Expenses to various master policy holders.

Whereas the above payments made by the Life Insurer were in violation of Clause C-4 mentioned above, for which the Authority had imposed a penalty of Rs 70 lakh vide Order dated 8<sup>th</sup> July 2011.

Whereas the above Order of the Authority was without prejudice to initiate further action on the Corporate Agents and the Master Policy Holders, the onus of which it was stated, equally lies with the Life Insurer.

Whereas the Authority has taken note of the submissions of the Life Insurer in this regard vide letters dated 17<sup>th</sup> February 2011, and 30<sup>th</sup> March 2011 and also both written and oral submissions made during the personal hearing accorded on 9<sup>th</sup> May, 2012 which are as under:

1. that Life Insurer has entered into arrangements / agreements with Master Policy Holders and agreed to pay administrative fee in consideration of various services, inter alia, dispatching mailers to customers, collecting membership forms, remitting premia, to make aware the members their rights and obligations, maintenance of customer data, answering customer queries and facilitating claim process are found not agreeable.
2. that the said payments relate to a product called '*Super Suraksha*' that was launched in the year 2002, well before issuance of the Group Insurance Guidelines is considered.

3. that it has filed a new product with the Authority to replace the then existing one on 28<sup>th</sup> September, 2006 for which a final approval was received from IRDA on 05<sup>th</sup> November, 2007 is also taken into consideration
4. inability expressed by the Life Insurer to recover the wrongful payments from respective Master Policy Holders

Whereas upon taking note of the Life Insurer's submissions, it has come to the following conclusions

- a) that majority of the functions stated to have been assigned to Master Policy Holders was anyway part of their [Master Policy Holders'] responsibility for administering a Group Insurance Scheme.
- b) that there was no case for the Insurer to assign core activities to Master Policy Holders that are to be discharged by themselves during the course of their doing Group Insurance business. Even if such activities were assigned to the Master Policy Holders, the guidelines specifically prohibit payment of monies of any sort to Master Policy Holders.
- c) that the explanation offered by the Life Insurer for not replacing the then existing product, immediately on getting approval for a new product by the Authority is also not tenable in view of the fact that the insurer continued to sell the old product much beyond the date of approval accorded to the new product. Such explanation cannot legalize a payment which is prohibited in the guidelines.

However owing to the nature of the business, with regard to the payment made upto the date of approval of the new product, i.e. upto October 2007 a considerate view may be taken. However, such a dispensation cannot be accorded to the following payments made subsequent to October 2007 and the Authority treats such payment as wrongful payments violative of the guidelines mentioned above.

SI No.	Master Policy Holder	2007- 08 (Nov - Mar)	2008-09	2009-10 (April- Aug)	Total
1	State Bank of India	1695.11	3081.56	432.03	5208.70
2	State Bank of Hyderabad	159.43	354.05	61.00	574.47
3	State Bank of Indore*	50.91	125.01	12.21	188.13
4	State Bank of Mysore	133.57	204.59	14.15	352.31
5	State Bank of Patiala	78.43	79.01	2.00	159.44
6	State Bank of Travancore	218.99	472.08	62.26	753.34
7	State Bank of Bikaner and Jaipur	68.44	215.25	34.36	318.04
8	Dewan Housing Finance	48.58	169.62	111.84	330.04
9	Federal Bank	86.43	1.68	0.00	88.11

10	Kerala Transport Development Finance Corporation Ltd.	0.20	0.50	0.04	0.73
11	Sundaram Home Finance	25.04	58.12	21.91	105.07
12	Union Bank of India	126.33	195.77	18.07	340.18
13	United Bank of India	3.13	8.07	1.99	13.19
<b>Grand Total (Rupees in lacs)</b>		<b>2694.59</b>	<b>4965.29</b>	<b>771.86</b>	<b>8431.74</b>

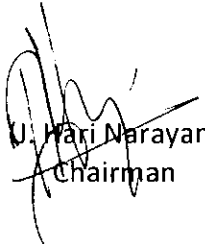
The above payments are not in the interests of the policyholders.

Now, therefore, the Authority, after consultation with the Consultative Committee constituted under Section 110 G of the Insurance Act, hereby directs as under:

- i. Identify the members/beneficiaries as the case may be of each Master Policy against which the Life Insurer has reimbursed the administrative expenses as a percentage of premium. A list of master policy is attached to this order as Annexure A;
- ii. Distribute the wrongful administrative charges paid, amongst the respective members/beneficiaries of each Master Policy by way of refund to the respective members/beneficiaries;
- iii. For this purpose, recalculate the premium chargeable for each member of each Group Insurance Scheme of the Life Insurer without taking into consideration 20% of premium that is paid to Master Policy Holders.
- iv. Difference between the original premium and the recalculated premium as in (iii) above to be refunded back to the respective members/beneficiaries
- v. The amount to be refunded as directed in these orders shall be made good by the shareholders.
- vi. The above action to be initiated immediately and shall be completed within 6 months from the date of receipt of this order.
- vii. Cost of the regulatory compliance of this order to be borne by Shareholders of the Life Insurer.

The above directions are issued in exercise of the powers vested in the Authority under Section 34(1)(b) of the Insurance Act, 1938.

Dated 05<sup>th</sup> October, 2012

  
U. Hari Narayan)  
Chairman

## Annexure - A

Master Policy	Entity	Brand	Nov - Mar 2008		2008-09		2009-10 (April- Aug)	
			Admin fee (Actuals)	lives	Admin fee (Actuals)	lives	Admin fee (Actuals)	lives
83001000203	State Bank of India	Super Suraksha for Home Loans	15,61,11,433	35,786	28,16,17,047	62,097	3,54,13,725	7,736
83001000301	State Bank of Patiala	Super Suraksha for Home Loans	69,83,211	1,361	65,94,680	1,445	2,40,038	59
83001000409	State Bank of Mysore	Super Suraksha for Home Loans	1,11,28,854	1,970	1,74,49,657	2,836	10,77,796	173
83001000507	State Bank of Hyderabad	Super Suraksha for Home Loans	1,39,85,719	2,983	3,21,15,064	5,757	58,06,488	988
83001000605	State Bank Of Indore	Super Suraksha for Home Loans	44,35,089	693	1,16,83,617	2,145	11,44,668	213
83001000703	Sundaram Home Finance	Super Suraksha for Home Loans	25,03,566	570	58,11,875	1,270	21,91,145	422
83001001002	State Bank of Travancore	Super Suraksha for Home Loans	2,06,21,822	4,577	4,43,15,861	9,791	58,56,890	1,365
83001001110	State Bank of Bikaner and Jaipur	Super Suraksha for Home Loans	42,63,402	941	1,84,91,690	4,009	33,05,318	611
83001001708	State Bank of India	Super Suraksha for Car Loans	49,54,842	6,315	1,51,07,405	21,509	39,90,489	5,706
83001002507	State Bank of Mysore	Super Suraksha for Car Loans	2,95,005	307	5,11,743	649	38,868	46
83001002605	State Bank of Indore	Super Suraksha for Car Loans	95,266	125	2,99,808	415	52,014	77
83001002801	State Bank of Patiala	Super Suraksha for Car Loans	8,60,064	1,156	11,59,069	1,794	15,490	17
83001003306	United Bank of India HL	Super Suraksha for Home Loans	3,12,748	92	8,06,825	238	1,99,443	56
83001003404	State Bank of Hyderabad	Super Suraksha for Car Loans	90,661	95	5,13,558	571	1,26,661	141
83001003502	State Bank of Travancore	Super Suraksha for Car Loans	7,73,636	869	24,69,447	2,949	3,69,426	411
83001003610	State Bank of India	Super Suraksha for Tractor Loan	10,72,178	930	18,21,951	1,654	3,28,554	233
83001003904	Union Bank	Super Suraksha for Home Loans	1,26,33,439	2,768	1,95,76,983	4,119	18,07,431	348
83001004105	State Bank of Mysore	Super Suraksha for Tractor Loan	11,68,219	634	19,11,225	1,120	3,36,921	175
83001004203	State Bank of Patiala	Super Suraksha for Tractor Loan	-	-	1,928	1	-	-
83001004605	State Bank of Bikaner and Jaipur	Super Suraksha for Car Loans	2,49,536	312	8,36,018	1,082	1,30,408	174
83001004703	State Bank of Bikaner and Jaipur	Super Suraksha for Tractor Loan	1,39,379	82	3,75,931	259	42,513	27
83001004801	State Bank of Hyderabad	Super Suraksha for Tractor Loan	16,14,475	950	12,25,395	782	1,26,642	87
83001005306	Dewan Housing Finance	Super Suraksha for Home Loans	48,57,816	1,366	1,69,62,069	3,960	1,11,83,648	2,585
83001005404	Federal Bank	Super Suraksha for Home Loans	86,43,177	1,541	1,67,544	135	-	-
83001005502	Karnataka Transport Development Finance	Super Suraksha for Home Loans	19,801	7	49,709	11	3,688	2
83001004301	State Bank Of Indore	Super Suraksha for Tractor Loan	3,74,108	-	3,87,571	-	24,131	-
DEPOSITOR5	State Bank of India	Super Suraksha for Deposit Holders	51,97,032	52,618	78,00,240	80,370	32,85,096	33,523
SELF HELP	State Bank of India	Shakti	19,98,050	31,833	16,26,400	32,528	1,84,950	3,699
FARMERS	State Bank of India	Super Suraksha for ADB	82,494	2,270	75,798	2,078	1,080	16
SUPER SURAKSHA	State Bank of India	Super Suraksha	94,750	4,621	1,00,008	2,383	1,800	8
TOR	State Bank of India	Super Suraksha	21,636	253	7,227	102	-	-

Master Policy	Entity	Brand	Admin fee (Actuals)	lives	Admin fee (Actuals)	lives	Admin fee (Actuals)	lives
DEPOSITORS	State Bank of Bikaner and Jaipur	Super Suraksha for Deposit Holders	21,91,368	24,280	18,21,360	19,234	4,992	54
DEPOSITORS	State Bank Of Indore	Super Suraksha for Deposit Holders	1,86,648	1,996	1,29,648	1,204	120	1
SELF HELP	State Bank Of Indore	Shakti	500	10	1,750	35		-
FARMERS	State Bank Of Indore	Super Suraksha for ADB						
SUPER SURAKSHA	State Bank Of Indore	Super Suraksha						
DEPOSITORS	State Bank of Travancore	Super Suraksha for Deposit Holders	5,03,856	5,799	3,70,392	3,831		-
SELF HELP	State Bank of Travancore	Shakti	10,950	324	14,150	283	3,150	63
FARMERS	State Bank of Travancore	Super Suraksha for ADB	5,580	145	3,798	92		
SUPER SURAKSHA	State Bank of Travancore	Super Suraksha	38,496	427	52,512	592		
DEPOSITORS	State Bank of Mysore	Super Suraksha for Deposit Holders	7,65,120	8,202	4,83,240	4,630	6,384	63
SELF HELP	State Bank of Mysore	Shakti	25,450	1,449	1,03,000	2,060	35,600	712
FARMERS	State Bank of Mysore	Super Suraksha for ADB	2,952	51	2,412	42		-
SUPER SURAKSHA	State Bank of Mysore	Super Suraksha	10,584	41	8,520	29		-
DEPOSITORS	State Bank of Patiala	Super Suraksha for Deposit Holders	17,232	205	1,47,216	1,715		-
SELF HELP	State Bank of Patiala	Shakti		-	1,750	35		-
FARMERS	State Bank of Patiala	Super Suraksha for ADB	72		72			
SUPER SURAKSHA	State Bank of Patiala	Super Suraksha						
DEPOSITORS	State Bank of Hyderabad	Super Suraksha for Deposit Holders	2,51,856	2,750	13,87,296	14,998		-
SELF HELP	State Bank of Hyderabad	Shakti	5,850	578	57,050	1,141	9,750	195
FARMERS	State Bank of Hyderabad	Super Suraksha for ADB	612		1,06,290	2,325		
SUPER SURAKSHA	State Bank of Hyderabad	Super Suraksha						
		total		2,04,282		3,00,305		59,986