



IRDA/LIFE/ORD/MISC/145/08/2012

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

*Final Order in the matter of*

**M/s. TATA-AIG Life Insurance Company Ltd.**

*Based on its reply to Show Cause Notice dated 12<sup>th</sup> December 2011 and its submissions made during the Personal Hearing on April 10, 2012 at 3 PM at the office of the Insurance Regulatory & Development Authority, 3rd Floor, Parishram Bhavan, Basheer Bagh, Hyderabad*

**Chaired by Sri J Hari Narayan, Chairman, IRDA**

The Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s TATA-AIG Life Insurance Company Ltd. (herein after referred to as "the insurer") between 16.8.2010 and 20.8.2010 which inter-alia revealed violations of the provisions of the Insurance Act, 1938 (the Act), various regulations/ guidelines/circulars issued by the Authority.

The Authority forwarded the copy of the inspection report to the insurer under the cover of letter dated 1.10.2010 and sought the comments of the insurer to the same. Upon examining the submissions made by the insurer vide letter dated 18.10.2010, the Authority issued notice to show-cause dated 12.12.2011 which was responded to by the insurer vide reply dated 12<sup>th</sup> January 2012.

A personal hearing was given by Chairman, IRDA on 10<sup>th</sup> of April, 2012 to the insurer upon their request with regard to the show cause notice issued by the Authority. Mr. Vivek Mathur, CFO of the insurer, and his team were present in the hearing. On behalf of IRDA, Mr. Kunnel Prem, CSO(Life), Mr. Suresh Mathur, Sr. JD(Intermediaries), Mr. R. Kumar, DD (Investments), Dr. Mamta, JD (F&A), Ms. Meena Kumari, HoD (Actl) were present in the personal hearing. The submissions of the insurer in their written reply to Show Cause Notice as also those made during the course of the personal hearing were taken into account.

The findings on the explanations offered by the Life Insurer to the issues raised in the Show Cause Notice dated 22 December, 2011 are as follows.

**Issue no. 1 Insp. Q.No. 1.A:** Non-adherence to exposure/prudential norms at "Investee Company" and "Industry" Level in respect of ULIP funds leading to Violation of Sections 3 & 5 of IRDA (Investment) Regulations 2000

**Decision:** *The insurer has submitted that the Industry sector classification was on lines of 'NIC classification' as provided in the IRDA(Investments) (Fourth Amendment) Regulations, 2008.. It is observed that as of March 2010, investments across any industrial sector do not exceed 25% as per the above classification. With regard to exposure at investee company level, the Insurer submitted that Investments in IRFC and REC can be classified as*

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infrastructure investments as per the amended Investment regulations 2008 and exposure limit upto 25% is allowed. Taking into account the insurer's submission, charge is not pressed.

**Issue No 2- Insp Q. No. 1.b:** Exposure to Power Finance Corporation (PFC) beyond permissible limit Treated as infrastructure investments leading to **Violation of 3 (1) (iii) (c) of the IRDA (Investment) Regulations 2000**

**Decision:** Taking into account the insurer's submission that PFC is classified as Infrastructure Finance Company by RBI charge is not pressed.

**Issue No 3- Insp Q.No. 3: Investment in Private Company:** Investment is made in Financial Planning Corporation (India) Private Limited (FPCIPL), a private ltd company leading to **Violation of Sec 27A (5) of the Insurance Act 1938**

**Decision:** The Insurer has submitted that the investments in FPCIPL are from the shareholder funds and that the loss if any shall also be debited to shareholders. The insurer further undertaken in the personal hearing that the said investment will be divested within six months and has provided proof of initiating this process on 16<sup>th</sup> April 2012. The submissions of the insurer are accepted under condition of its review in six months time and hence, charge is not pressed.

**Issue No 4- Insp.Q.No.4:** Wrong categorization /classification of investment: Insurer has categorized equity shares of HDFC & LICHL as infrastructure investments leading to **Violation of Sec 3 of IRDA (Investment)Regulations2008 and Sec2(h) of the IRDA(Registration of Indian Insurance Companies) Regulations, 2000**

**Decision:** The insurer has submitted it has reclassified the investments in HDFC and LICHL in accordance with recommendations of the Authority. Taking into account the corrective action by the insurer, charge is not pressed.

**Issue No 5- Insp Q.No.6:** Daily ULIP NAV computation is not in the manner prescribed as the expenses taken for computation of NAV are based on past 6 months' average instead of taking actual expenses incurred, leading to **Violation of 10.5 of "Guidelines on ULIP's" dated 21.12.2005.**

**Decision:** Since the Insurer has changed its approach in conjunction with latest circular no. IRDA/F&I/CIR/INV/187/08/2011 dated August 17, 2011 wherein the NAV process and Fund approval procedure are standardized and appropriation & expropriation factors are suitably amended by the authority, the charge is not pressed.

**Issue No 6- Insp q.No.7: Fund of Funds:** The investments are in the nature of Fund of Funds in product "Invest Assure" as per F&U documents of the Insurer. The investment in the funds needs to vary as per F&U- However, in practice the same were at a fixed percentage

without review. FMC is being applied in case of some funds and excluded in some others in practice. All these are in **Violation of IRDA (Investment) Regulations, 2000**

**Decision:** *The insurer explained in the personal hearing that the existing investment of the fund was yielding above the benchmark return and hence, no changes were made to the investment. The insurer has also submitted the working of the FMC apportionment to Fund of Fund which is satisfactory. Taking into account the Insurer's submissions, the charge is not pressed.*

**Issue No 7- Insp Q.No.8.a: Commissions:** Rs. 282.19 Crore booked as commission which includes -Referral partner payment, production bonus to agents, loyalty bonus to Banks and other channel partners Not accounted as a separate line item in Schedule-2 to the Financial statements as prescribed leading to **Violation of circular no. IRDA /CIR /F & A/ 088 / Mar-05**

**Decision:** *The Insurer's Financial Statement 2010-11 has reclassified referral fees and commission. The changes are also made to the previous year's statement. Taking into account the Insurer's submissions and corrective actions, charge is not pressed.*

**Issue No 8- Insp Q.No.8.d Legal and Professional Charges:** The payments to Business Associates for Rs 50 Cr and individuals acting as referral partners of Rs. 7.43 Cr have been booked as expenditure under this head of account leading to **Violation of referral circular dated 14.2.2003 which bars referral agreements with non-banking entities.**

**Decision:** *The Insurer had submitted that the Business Associate Model has been brought to the notice of Authority. Individual referral partners were engaged under Reg. 10 of IRDA (Advertisement) Regulations 2000, which the Insurer confirmed that they are discontinued after Sharing of Database Regulations 2010 came into effect. Taking into account the submissions of the Insurer the charge is not pressed.*

**Issue No 9- Insp Q.No.8.e.I:** Payment of Rs. 87.09 lakhs to M/s HSBC - Group administrator for promotion and lead generation activities is in **Violation of C.4 of IRDA's Guidelines on Group Insurance policies dated 14.7.2005**

**Issue No 10- Insp Q.No.8.e.IV:** An amount of Rs.2.78 Cr was paid to M/s. CitiBank N.A. for mailer campaigns while it is acting in the capacity of the insurer's master policy holder which is in **Violation of C-4 of Group guidelines**

**Decision:** *The IRDA has examined the detailed account of the payments made by the insurer to M/s HSBC and M/s Citibank. With regard to M/s HSBC, the account shows that in the year 2009-10, a sum of Rs.1.17 crores was paid towards advertisements/call centre promotion including a sum of Rs.3.16 crores which is paid towards bank charges. In the year 2010-11, a sum of Rs.69.81 lakhs was paid towards promotion charges and Rs.3.55 crores towards bank*

charges. The payment towards bank charges does not fall within the prohibition of C4 but the other charges certainly do.

With regard to M/s Citibank, the corresponding figures are Rs. 3.8 crores towards advertisement charges and Rs.1.1 crore towards bank charges for the year 2009-10 and Rs. 1.95 crores towards advertisement charges and Rs.1.01 crores towards bank charges for the year 2010-11. There have thus been four instances where the prohibition of C4 has been violated and as has been done in earlier cases, for each of these instances, a penalty of Rs.2 lakhs is imposed amounting to Rs.8 lakhs under section 102(b) of Insurance Act, 1938.

**Issue No.11- Insp Q.No.9: Preparation of Financial Statements – Schedule-10 – Fixed**

**Assets:** The insurer capitalized the expenses incurred on improvements made to the leased property. The classification of fixed assets into various categories viz., furniture & fittings, office equipment, and Leasehold improvements is not demarcated properly and also the Authority's financial statement regulations do not provide for "leasehold improvements" leading to **Violation of IRDA (Preparation of Financial Statement & Auditor's Reports of Insurance Companies) Regulations, 2002.**

**Issue No 12- Insp Q. No.10.a:** Insurer has capitalized the expenses pertaining to improvements of Leasehold property taking credit as Other Assets of Form-AA in full without any disallowance, significantly affecting the available Solvency Margin by 64.86 Crs leading to **Violation of Regulation 3 of ALSM Regulations.**

**Decision:** The insurer submitted that the furniture and fittings have been valued at zero in line with Schedule-1 of IRDA (ALSM) Regulations and that IRDA (ALSM) Regulations, 2000 do not disallow the leasehold improvements as admissible assets for solvency specifically. Taking into account the submissions of the Insurer and the fact that Insurer's solvency doesn't fall below the prescribed level even if leasehold improvements are disallowed as admissible assets for solvency, the charges are not pressed.

**Issue No 13- Insp Q.No.18:** Third party cheques from CA accepted. While the CA collects cash from policyholders in different dates and makes a single payment by Cheque leading to **Violation of 64 VB (4) of IA, 1938.**

**Decision:** The insurer submitted that small ticket size rural premiums are collected by the CA on different dates and remitted through a single pay, hence the delay in remittance of premium owing to consolidation of premiums collected by the CA as all these relate to rural policies spread over remote areas and logistical difficulties are present. During the personal hearing, a sample data was called for one month's remittance for two consecutive years. The data submitted by the insurer is for the month of May'08 and May'09 which in spite of being a lean month for insurance business shows average remittance delay of 4 to 5 days. Although charge is not pressed considering it a rural business yet the insurer is directed to cover the risk on all policies from the moment the premiums are received by the CA.

**Issue No 14- Insp Q.No.19:** The insurer is covering risk even when the premium shortage is Rs 150 upto 31.12.08 and Rs. 50 at present leading to **Violation of Section 64VB(1) of IA,1938.**

**Decision:** *Taking into account the insurer's submission that the shortfall, which is recovered through subsequent premium, is usually due to miscalculation of service tax by the intermediaries and considering that rejection of a proposal for shortfall of a small amount would inconvenience the proposer, charge is not pressed.*

**Issue No 15- Insp Q.No.22:** No. of instances observed in sample checks where identity/address proof/photograph are not collected from policyholders when premium exceeds Rs.10,000 leading to **Violation of AML Guidelines dated 31.3.2006**

**Decision:** *The insurer has submitted copies of documents for all the cited cases and assured of implementing robust systems to comply with KYC norms. Therefore charge is not pressed.*

**Issue No 16- Insp Q.No.23:** No. of instances observed where premium exceeding Rs. 50000/- are split into part cash/part cheque to bring it under threshold limits leading to **Violation of threshold limits of cash receipts by a combination of cash & cheque as per AML guidelines dated 31.3.2006.**

**Decision:** *Considering that the inspection team had reported a large number of cases, further information was called for at the Personal Hearing. It is observed from the information submitted by the insurer that only 152 cases are reported to FIU out of 4465 actual cases in last six years. Although the insurer has furnished five instances where the agents are terminated for facilitating policyholders to breach the provision of AML guidelines, yet the volume of unreported cases indicates the indifference of the insurer in reporting suspicious transactions as per AML guidelines. The insurer is warned for such deviations and advised to ensure strict compliance to the AML Guidelines issued by the Authority.*

**Issue No 17- Insp Q.No.25:** KYC documents are not being obtained by TALIC in case of assignments as envisaged in the AML policy leading to **Violation of the AML Guidelines dated 31.3.2006 in respect of KYC norms**

**Issue No 24- Insp Q.No.39.a) Assignments:** The Insurer is not carrying out AML checks in case of policy assignments to third party individuals where premium exceeds Rs one lakh in **Violation of AML guidelines dated 31.3.2006.**

**Decision:** *The insurer has submitted that post issuance of Circular Ref: IRDA/F&I/CIR/AML/99/06/2010 dated June 16, 2010, whereby 'customers' were clarified to include assignees the insurer has started collecting KYC documents from the Assignees since 13/09/2010. Taking into account the insurer's submission and consequent action of*

completing the Assignees KYC, no charge is pressed. However, the insurer is strongly advised to strictly follow the provisions of the captioned guidelines.

**Issue No 18- Insp Q.No.28.a:** The occupations of many policyholders under social sector policies do not match the definition of social sector leading to **Violation of 2(d) of the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002**

**Decision:** Taking into account the submission of the Insurer that as per IRDA (Micro Insurance) Regulations, 2005, all micro insurance policies may be reckoned for the purpose of fulfillment of social obligation the charge is not pressed.

**Issue No 19- Insp Q.No.28.b:** The Insurer has counted multiple policies of same life as different lives under social sector. Total number of lives instead of no. of policies is to be considered. This leads to **Violation of 3(b) of the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002**

**Decision:** The Insurer has submitted corrected figures of lives under social sector and it is observed that even with revised figures the social obligations of the Insurer are being complied with. The charges are not pressed, however the Insurer is advised to strictly follow the provisions of IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, 2002

**Issue No 20- Insp Q.No.28.c:** In a number of policies shown under Rural business of the Insurer, the addresses are Urban. This is in **Violation of 2(c) of IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002**

**Decision:** The insurer submitted that as their system does not accept address without pin code number and in many rural cases the pin code is not available readily, the address/pincode of the district, town or mandal are provided. The insurer has submitted an analysis that out of 219421 rural policies sold, 125797 policies had address with pin code and 93624 policy holders actually resided in rural areas without a pin code. Taking into consideration the insurer's submission charge is not pressed. However, the insurer is advised to rectify the systems to accept all addresses of rural areas and also rectify the addresses/pincode of the 93624 policies.

**Issue No 21- Insp Q.No.29:** The insurer merged and/or closed the branches without ensuring compliance to Authority's circular/s on branch closures leading to **Violation of provisions of the circular on branch closures no.ref:041/IRDA/BOO/Dec-06, dated 28.12.2006 with regard to intimation to policyholders.**

**Decision:** The insurer has accepted that in a few cases adequate notice period of 2 months to the policyholder could not be maintained owing to exigencies. However after examination of the information called for at the Personal Hearing it is observed that, in 44% cases (24 numbers) the prior notice issue date is less than 2 months from the date of closure during the period 01/06/2008 to 30/10/2009 (17 months) while same was 2.5% (2 numbers) in the

period 01/04/2010 to 31/03/2011 (12 months). After considering the improvement in compliance to the above circular over the period charge is not pressed. However, the insurer is strictly advised to strictly comply with the above circular.

**Issue No 22- Insp Q.No.30:** TALIC is yet to conduct the mandatory first quarter meeting of the policyholder's protection committee and place the minutes before the Board leading to **Violation of the provisions of Corporate Governance Guidelines dated 29.1.2010**

**Decision:** *The Insurer had admitted that due to insufficient quorum the 1<sup>st</sup> quarter meeting was deferred to September 2010 and informed that the same is regularized now. The insurer's submission is accepted and the issue is not pressed.*

**Issue No 23- Insp Q.No.34:** The Insurer has not filed copies of some of the advertisements within 30 days of release with the authority leading to **Violation of Reg. 3 (V) of Advertisement Regulations 2000 and Sec 9 of the Advertisement Guidelines dated 14.5.2007**

**Decision:** *The insurer has accepted that in a few cases there was slight delays beyond the stipulated period of filing advertisements, however, has confirmed of instituting necessary controls to avoid delays in future. The insurer's submission is accepted and charge is not pressed.*

**Issue No 25- Insp Q.No.41.a:** The Insurer has engaged 45 corporate entities for soliciting business without license.i.e.35 as Database Sharing partners & 10 coop banks as Referral partners.

**Issue no. 26 -Insp Q.No.41.b:** 22,213 individuals engaged by the insurer as referral entities. Total payout is Rs. 5.77 Cr for FY 09-10 which was not disclosed in the Yearly statement. The account heads debited for referral payments were not appropriate.

**Issue no.27 -Insp Q.No.41.c :** 13 New Business proposal forms pertaining to various entities were verified on sample basis. These policies are procured through unlicensed entities.

**Issue no.28. -Insp Q.No.41.d:** Signatures are not uniform though booked under the same unlicensed entity code.

**Issues 25 to 28 - Violation of proviso II of the referral circular dated 14.2.2003 for entering into referrals with non-banking entities and utilizing unlicensed entities.**

**Decision (25 to 28):** *The insurer submitted that corporate entities were engaged under Proviso (ii) of Regulation 10 of IRDA (Insurance Advertisements) Regulations, 2000 and that since these entities were not involved in solicitation or procurement of life insurance, they were not required to be licensed. Insurer confirmed that all such arrangements are terminated after removal of above proviso. The insurer has also confirmed that the corrections are now effected to debit the appropriate heads of account. With regard to*

*proposals verified and signatures being not uniform though procured from same entity , the Insurer submitted that names of the referral entities were entered in the space provided for Agent in the proposal form for the purpose of tracking submission and that the signatures belong to Insurer's employees who concluded the sale. This contention of the Insurer is not acceptable as the signatures are not identified and established as that of their own employees. Therefore it is concluded that soliciting of insurance business through unlicensed entities has happened in the case of above referred entities and a penalty of Rs 5 lakh is imposed as penalty under Section 102(b) of Insurance Act, 1938.*

**Issue No 29- Insp.Q.No.42.a:** Aegis Life Enterprises is CA of both Tata-AIG Life & Reliance Life. The signature of CIE varies in different proposal forms. The address of the policyholder and CIE's place of signature differs. All these are in **Violation of Regulation 9(1)(a) of IRDA (Licensing of corporate agents) Regulations,2002, Clause 2,8,17 of guidelines issued on licensing of corporate agents vide circular dated 14<sup>th</sup> July,2005.**

**Issue No 30- Insp Q.No.42.b:** Emiinnence' is CA of Tata-AIG Life whereas Emiinnence Global India is CA of Reliance Life. Both have the same address proving that both constitute the same entity leading to **violation of 3(2) of the Corporate Agency Regulations, 2002 and clause 5 of the Corporate Agency Guidelines dated 14.7.2005**

**Issue No 32- Insp Q.No.42.d** Shree Beereshwar Souhard Credit Sahakari Ltd. is CA of LIC, Bajaj Allianz Life and SBI Life too along with Tata-AIG. The employees of the insurer are soliciting business on behalf of the CA in **Violation of provisions of section 42 D (8) of the Insurance Act,1938 and the same amounts to violation of Regulation 9(2)(ii)(a) of IRDA (Licensing of corporate agents) Regulations,2002 and Clause 2,8,17 of the Guidelines issued on licensing of corporate agents.**

**Decision:** *The issues 29, 30 and 32 relate to two types of violations. 30 and 32 primarily relate to enrolling certain party as a Corporate Agent even though at that time the same party was a Corporate Agent of some other insurance company or companies. The insurer is charged with not conducting its due diligence in an appropriate manner and thereby issuing a corporate agency license to an entity which is not eligible because he was by then the corporate agent of some other insurance company. However, the Authority notes that in the absence of an official site or listing of the various corporate agents, it would not be possible for the insurer to satisfy himself that the party seeking corporate agency is not a corporate agent of some other party. For this reason, this part of the charges is not pressed.*

*The second part of the charges relate to conclusion/closure/ solicitation of sales by unlicensed entities. In the case of Aegis Life Enterprises, the signature of Corporate Insurance Executive (CIE) varies in different proposal forms. Also in some cases, the residential address of the policyholder is at one place whereas the CIE's place of office is at some other place. These raise a doubt whether the authorized CIE affixed his signature on the proposal form. In the case of Emiinnence, the proposal forms, which were accepted for purpose of issuing*

policies and based on which commissions have been paid to the corporate agent, seem to carry signatures which are un-relatable to the licensed entity. These indicate that the sale was concluded by an unlicensed entity for which act of omission or commission the corporate agent is directly responsible. The insurance company is also no doubt responsible for the actions of its agent as, in these cases, the insurance company should have scrutinized whether the proposal forms have been filled correctly before issuance of policies. Therefore a penalty of Rs. 2 lacs per entity , a total of Rs. 4 lacs is imposed under section 102(b) of Insurance Act, 1938.

**Issue No 31- Insp Q.No.42.c:** Jayapriya Life Investment Growth (P) Ltd the CA of Life Insurer has procured business over different places and logged through Salem Br. The signature of the specified person also varies in different proposal forms leading to **Violation of the provisions of the Corporate Agency Regulations, 2002 and the Guidelines dated 14.7.2005**

**Decision:** The Insurer submitted that it had sought an explanation from the CA which revealed that it is having Chit Fund customers spread across 20 locations in Tamil Nadu and that the SP visits and Canvasses/procures business from these locations and logs to the branch in bulk. The insurer submitted that in order to monitor the activities of their intermediaries and detect wrong practices, the insurer has commenced review of market practices of their channel partners and signature verification of SP's. Taking into consideration the insurer's submission charge is not pressed.

**Issue No 33- Insp Q.No.42.e:** The signature of specified persons on 18 proposal forms verified are not uniform with respect to same corporate agent/specified person. In most of the cases, the proposals are signed and logged in a place other than the normal place of residence or place of business of the proposer/life assured. **Violation of Section 3(2) and 9(2)(ii)(a) of Corporate Agency Regulations, 2002 and clauses 2, 8 & 17 of the Corporate Agency Guidelines dated 14.7.2005**

**Decision:** The Insurer has admitted the discrepancy and has said that it instituted a process of verification of signature of SPs. It is clear on examination of the above proposal forms that the signature of the same specified person was different on different proposal forms. It is also observed that the proposals are signed and logged in at a place other than the normal place of residence or place of business of the life assured/proposer. All these clearly indicate that soliciting of insurance business has taken place through unlicensed persons under 6 entities referred in the inspection report and therefore a penalty of 2 lakhs each per entity, a total of Rs 12 lacs is imposed under Section 102(b) of Insurance Act, 1938.

**Issue No 34- Insp Q.No.43:** The insurer is paying commission to the agents on own life policies brought in by them without verifying whether they fall under the definition of 'bona fide' insurance agent as defined under Rule 16 (B) of Insurance Rules, 1939 leading to **Violation of proviso to Section 41 (1) of the Insurance Act, 1938.**

**Decision:** *The Insurer has assured that their IT Systems are modified to control this aspect now and no charges are pressed.*

**Issue No 35- Insp Q.No.44:** Business Promotion expenses of Corporate Agents were borne by TALIC apart from the regular commission payments in **Violation of Clause 21 of Corp agency Guidelines.**

**Decision:** *Section 40(1) and 40(A) of the Insurance Act, 1938 limit the payments to any agent by way of remuneration or reward or otherwise to a defined sum. Regulation 8(1) of the IRDA Licensing of Corporate Agents Regulations 2002 requires a Corporate Agent to abide by Section 40 of the Act and Regulation 21 of the Guidelines cited reinforce this concept that a Corporate Agent can be paid only the approved commissions and no other fees or charges or rewards whatsoever except reasonable expenses for co-branded sales literature*

*At the personal hearing, the actual details of payments were again asked for in order to ensure that there is no discrepancy between the figures of the IRDA and that of the company.*

*The insurer's submission that these expenses are for various promotional services taken up by the CAs on behalf of the company and do not relate to garnering/procuring business, is not tenable and are in violation of the Insurance Act and Regulations cited. Even if it is assumed that the payments made are for other services, the following points are noted by the IRDA:*

- (i) The insurer has not produced any agreement with the Corporate Agent specifying the service for which the payments are made;*
- (ii) Heavy payments are paid towards Advertisement and business promotions in some cases*
- (iii) It is noted that in some cases the payments made are several percentage points more than what is permissible*
- (iv) The payments made to different entities have a strong correlation with the first year premium and hence cannot be deemed as being independent of business procurement. The payments are in deviation of the limits prescribed in Section 40A of Insurance Act, 1938 as captured in the following table:*

Financial Year 2009-10			
Name	Maximum commission payable as per Section 40A of Insurance Act 1938	Actual amount paid	%age deviation
BELAIR WEALTH MANAGEMENT SERVICES PVT LTD	41,87,812	43,32,712	3.46%
EMIINENCE	1,01,080	1,07,996	6.84%
INDUR DEVELOPERS AND AGENCIES PRIVATE LIMITED	53,63,085	54,03,685	0.76%
JAYAPRIYA LIFE INVESTMENT GROWTH P LTD	17,43,583	17,79,056	2.03%
NULOOK INSURANCE AGENCY LIMITED	6,86,76,417	7,25,26,807	5.61%
OM CONSULTANCY	3,60,65,199	4,02,58,453	11.63%
Financial Year 2010-11			
Name	Maximum commission payable as per Section 40A of Insurance Act 1938	Actual amount paid	%age deviation
	-		-
FUTURE FINANCIAL SOLUTION	88,59,006	1,80,56,077	103.82%
JAYAPRIYA LIFE INVESTMENT GROWTH P LTD	37,81,817	56,76,498	50.10%
OM CONSULTANCY	3,55,99,238	3,67,68,300	3.28%
SHRI BEERESHWAR SOUHARD CREDIT SAHAKARI LTD	5,99,101	23,33,653	289.53%
SRI RAASI MARKETING AGENCY	27,61,901	32,59,942	18.03%
THE ORISSA STATE COOPERATIVE BANK LTD	85,19,100	1,16,92,833	37.25%

*This is an exceedingly serious violation. The Authority is empowered to impose a penalty of Rs.5 lakhs under Section 102 (b) of Insurance Act, 1938, for every case where such violation has been observed. However, as noticed from the table above, the violations are serious in 4 instances and consequently a penalty of Rs.5 lakhs each for the four instances of serious violations totaling Rs.20 lakhs is imposed on the insurer.*

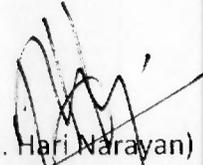
*The penalty referred herein is without prejudice to the action which the Authority would take against the corporate agents who have also violated the regulatory provisions.*

**Issue No 36 - Insp Q.No.45:** Insurer is engaging outside agency for Valuation of Gratuity/ Superannuation benefits in case of Group Insurance and meeting the cost of the valuation in **Violation of F&U norms.**

**Decision:** *The Insurer has submitted that the service provided is to ensure correct provisioning and funding of customer's liability towards gratuity and superannuation and the cost born by the insurer is insignificant. Taking into account the submissions by the Insurer the charges are not pressed.*

Accordingly, in exercise of the powers conferred upon me under the provisions of the Insurance Act, 1938, I hereby direct the insurer to remit the penalty of Rs. 49 lacs (Rupees Forty Nine Lacs) debiting Shareholders' Account within a period of 15 days from the date of receipt of this Order through a cross demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may be sent to Mr. V Jayanth Kumar, Joint Director (Life) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad 500 004.

Place: Hyderabad  
Date: 09<sup>th</sup>/~~12<sup>th</sup>~~ August 2012

  
(J. Hari Narayan)  
Chairman