



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

Ref: IRDA/LIFE/ORD/MISC/230/10/2012

Final Order in matter of M/s Met Life India Insurance Company Ltd

Based on Reply to Show Cause Notice Dated 07th October, 2011 and Submissions made in Personal Hearing on March 9th, 2012 at 03.00 PM and April 17th 2012 at 3.00 PM at the office of Insurance Regulatory & Development Authority, 3rd Floor, Parishram Bhavanam, BasheerBagh, 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 Met Life India Insurance Company Ltd (herein after referred to as "the insurer") from 03rd January, 2011 to 07th January, 2011 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 22nd February, 2011 and sought the comments of the insurer to the same. Upon examining the submissions made by the insurer vide letter dated March 17th 2011, the Authority called for further information vide its letter dated 12th May, 2011 which was responded to by the insurer vide letters dated 26th May, 2011. Finally, the Authority issued notice to show-cause dated 07th October, 2011 which was responded to by the insurer vide letter dated 15th November, 2011. As per the request, a personal hearing was given to the insurer by Chairman, IRDA on March 9th, 2012 at 03.00 PM and on April 17th 2012 at 3.00 PM. Mr. Rajesh Relan, MD&CEO and his team were present in the hearing. On behalf of IRDA, Mr. Sriram Taranikanti, FA, Mr. Suresh Mathur, Sr. JD(Intermediaries), Mr. M. Pulla Rao, Sr. JD (Inspections), Mr. SN Jayasimhan, JD (Investments), Ms. Mamta, JD (F&A), Ms. Meena Kumari, HoD(Actl), Mr. V. Jayanth Kumar, JD (Life), Mr D V S Ramesh, D D (Life) and Mrs R Lalita Kumari, A D (Life) were present in the personal hearing. The submissions of the insurer in their written reply to the following charges levelled in the Show Cause Notice as also those made during the course of the personal hearing were taken into account and a decision on each of the charges is issued hereunder.

1. Charge 1: Insurer is in practice of valuing listed equity shares only on the basis of last quoted closing price on the NSE as against measuring at the lowest quoted closing price at the listed stock exchanges - Violation of Para 6 (c) of Schedule A to IRDA (Preparation of Financial Statement) Regulations, 2002.

Decision: In response to the charge the insurer submitted that the observation related to IRDA (Preparation of Financial Statement) regulations para 6 (c) which is applicable to Non Linked funds. Further, the insurer confirmed that they do not have any Equity Investment under non-linked funds and equity Investments valuation under linked funds is being done at last quoted closing price on the NSE. On examining the submissions it is reiterated that the referred provision is equally applicable to linked policies. While not pressing the charges, the Insurer is hereby directed to scrupulously adhere to the referred regulations in future.

2. Charge 2: In case of some of the funds, the requirement of minimum investment in Central Government and other approved security (i.e.50%) in segregated level of life fund are not observed - Violation of section 27(1) of Insurance Act and also Regulation 3 of IRDA (Investment) Regulations.

Decision: In response, the insurer submitted that as per its understanding the pattern of Investment is only required to be maintained at Controlled fund level and not separately at segregated fund level. The insurer also confirms that they have not breached provision of Section 27(1) read with regulation 3 of Investment Regulations. Taking into account the submissions charges are not pressed.

3. Charge 3: Industry exposure is calculated taking into account the total fund size as a whole as against considering 'investment which is subject to the exposure norms (i.e. excluding G Sec and other approved securities)' - Violation of Regulation 5 & 6 of IRDA (Investments) Regulations.

Decision: The insurer, in response, submitted that as required under Regulation 5 and Note no 5 of IRDA (Investment) Regulations, exposure limits are maintained at Investment assets level and further submitted that the investments made do not breach the industry exposure limits stipulated. On considering the submissions, the charge is not pressed.

4. Charge 4: The Insurer has not included transactions with J&K Bank Ltd in 'related party disclosure' in annual report for the year 2009-10. And also investments to the tune of Rs 11.90 Crores made in J&K Bank as on 31.3.10 are not disclosed/ monitored as per investment regulations and guidelines - Violation of Note 3 to Regulation (5) of IRDA (investments) regulations, 2000 and Para 1 to Part I of Schedule A of IRDA (Preparation of Financial statement) regulations, 2002.

Decision: Insurer submitted that since J&K Bank did not have the shareholding pattern prescribed in AS 18, it is not a related party for the purpose of disclosures. As regards

disclosure of investments made in promoter groups, the insurer submitted that the deposit amount with J&K Bank has been classified under "Promoter group". Taking into consideration the submissions made the issue is not pressed.

5. Charge 5: The insurer is not computing the daily NAV in respect of its ULIP funds in the manner prescribed - Violation of Para 10.5 of "Guidelines on Unit Linked Insurance Products" dated December 21, 2005.

Decision: In its submission the insurer informed that the transaction costs to be considered for daily calculation of NAV is insignificant compared to the total fund size and may not make a difference to the NAV. It further submitted that the actual transaction costs are adjusted in the NAV computation on actual basis. The insurer also confirms that it is in compliance of NAV computation methodology defined in the new guidelines IRDA/F&I/CIR/INVO/173/08/2011 Dated 29th Jul, 2011. Taking into consideration the submissions made, the issue is not pressed. However, the Insurer is advised to ensure compliance to IRDA Guidelines on NAV Computation dated 29th July, 2011.

6. Charge 6: As against maintaining 27 different funds offered under various ULIPs; insurer is maintaining only 17 funds as on 31-March-2010. There is no segregation of investments amongst these sub-groups of funds and net asset value of AUM of these funds and the expenses are apportioned across the sub-group plans for declaring separate NAV - Violation of Para 10 of Annexure II of the investment guidelines.

Decision: In its submission the insurer informed that as of Mar 2010, there were 17 ULIP funds out of which 15 were Individual Funds and 2 were Group Gratuity Funds (Balanced & Debt Fund). These two Group Funds have different FMC charges for different plans and there were 7 NAVs in Gratuity Balanced Fund and 5 NAVs in Gratuity Debt Fund totalling to 27 NAVs (15+7+5). Insurer also submitted that exposure norms are being complied at fund level. Taking into consideration the submissions made by the insurer charges are not pressed.

7. Charge 7: Insurer was utilizing services of Deutsche Bank AMC for NAV computation till 4th Nov, 2009 though assets under management have already crossed Rs. 500 Crores - Violation of Point no. 12 of Annexure II of Investment Guidelines.

Decision: In its submission the insurer confirmed that NAV Calculation was not outsourced and was being done in-house. It further clarifies that Deutsche Bank AMC was providing only Advisory Services for Investments which were discontinued by Nov 2009. Considering the submissions of the insurer no charges are pressed.

8. **Charge 8:** Insurer is using two investment software i.e. 'iCAMERA' and 'CRTS' respectively for 'accounting' and 'trading'. The data base server where 'iCAMERA' is hosted is located in USA, leading to outflow of investment transactions to the main server located in USA. In respect of 'accounts software SUN GL", though one copy of complete backup of data base is maintained at insurer's office at Bangalore, physical server is hosted in New York, USA with DR site at Beijing, China- Violation of Regulation 7(c) of IRDA (Registration of Insurance Companies) Regulations, 2000.

Decision: The Insurer submitted that all the investment management activities / core activities of investment management (including fund accounting and NAV calculation) are being carried out in house by the MetLife India investment team. Insurer sought time up to 30th September, 2013 for hosting Investment Systems within India. On examining the submissions, the Authority takes a serious view on hosting Investment Systems / Primary Data Center outside India which leaves enough scope for denial of access to IRDA as and when required, thereby violating Regulation 7 (c) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000. It is also further reiterated that the insurer should keep all its data and all such (primary Data) Centres inside the Country and should not be confined to investment data alone. It is also noted that IRDA had been insisting on this issue from 2004 requiring the insurer to host all investment systems within India and I am convinced that the Insurer did not initiate adequate measures in this direction and now seeking time up to September, 2013. Taking into consideration the submissions, the Insurer is directed to host investment and accounting systems / their respective primary data centers within India before December, 2012. Insurer is also directed not to host any of its systems / data centers outside the country. Failure to comply with these directions within the stipulated time also attracts appropriate penal provisions. Treating the matter as a serious infringement on policyholders' interest and absence of prudent Governance on Investment Management thereby violating Regulation 7 (c) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000, the Authority imposes a penalty of Rs 5,00,000 (Rupees Five Lakhs Only) under Section 102 of the Insurance Act.

It is to further state that after December, 2012 if the Systems are not hosted in India, the Life Insurer deems to be continuously in violation and the Authority reserves the right to impose penalty under Section 102 of the Act.

9. **Charge: 9:** Insurer has recognized the premium of Rs 1.14 Cr(of Group Insurance Business) as outstanding premium though the premiums are due for a period of more than 30 days - **Violation of Schedule-A , Part-1 , Regulation (2) of IRDA Preparation of Financial statements Regulations**

Decision: Insurer submitted that in case of additions of new members in the Group Business, premium has been recognized on due basis which is eventually received. It also submitted that, premium outstanding for more than 30 days was taken due to time lag

in data reconciliation and this practice is corrected Financial Year 2010-11 onwards. On examining the submissions of the Insurer the matter is not pressed and the insurer is advised to ensure compliance to all the relevant Regulations referred herein.

10. **Charge 10:** The insurer could not allot the shares to MetLife International Holdings Inc., for Rs 74 Cr received because of non-subscription by the Indian promoters and possible breach of FDI cap. The insurer has treated the “subscription money received towards rights issue” as share capital and taken it for the purposes of calculation of net worth and “Available Solvency Margin” - **Violation of Section 6(a)(b)(iii) of Insurance Act, 1938.**

Decision: The Company submitted that the amount received as subscription money towards rights issue is against specific rights entitlement by the respective shareholders subscribed by them against specific capital calls and as such is part of the shareholders’ funds available for solvency margin. From the submissions it is noticed that as at 31.03.2009 & 31.03.2010, the capital received from Met Life International against the rights issue was pending for allotment because of non-subscription by the Indian promoters and possible breach of FDI cap. As this Inspection Observation is also referred in Charge 17 hereunder which is appropriately examined the issue is not pressed here.

11. **Charge: 11:** The payments made to ‘Consultant – Wholesale Agency Distributor’ during the year 2009-10 to the extent of Rs.2.10 Cr were classified as “Employee Remuneration and Benefits” under Schedule-3 (Operating Expenses) of the Insurer **instead of** “Business Development Expenses / Consultants Fee”. Similarly amounts (Rs 89.11 Cr) paid to employees & various distribution channels was shown as ‘Advertisement and Publicity Expenses’. Further during 2009-10 claims investigations expenses are wrongly classified to professional and legal charges without netting them off to claims.

Decision: The insurer submitted that it has corrected the classification of accounts for FY 2010-11. Taking into consideration the submissions that it has rectified the classification of accounts charges are not pressed. However, the Insurer is cautioned that it has to be vigilant while booking the accounts in order to see that the Annual Reports are giving true picture of the prevailing state of accounts and the Insurer is advised to ensure compliance to IRDA (Preparation of Financial statements) Regulations, 2002.

12. **Charge: 12:** The Company has entered into various agreements with some entities for the purposes of Collection of Premium and DGH, Lead Generation and other Marketing activities. Some of these are on lines of referral agreements and lead generation agreements. **Violation of IRDA Referral Circular IRDA/Cir/004/2003 dated 14.02.2003.**

Decision: Insurer submitted that the agreements entered are not for lead generation but for collection of documents and premiums. It also submitted that remuneration paid to these entities is for making available infrastructure facilities. As against the submissions of the insurer it is noticed that some of the agreements are on lines of referral

agreements. However, considering the not so significant volumes of remuneration involved, the charges are not pressed. Insurer is advised to ensure compliance to IRDA (Sharing of Database) Regulations, 2010.

13. **Charge: 13:** As per Schedule-13 (current liabilities), an amount of Rs. 82.39 Cr was shown as premium deposits as at 31.03.2010 and close to Rs. 63 Cr is lying unadjusted in Deposit Account, towards premiums. Majority of these are ULIPs and hence unitization is delayed as the policies are in lapsed condition - **Violation of 10.6.1 of ULIP Guidelines.**

Decision: The insurer submitted that out of total Deposit Account of 63 Crs, 30% consists of New Business premiums at various stages of underwriting and the balance being renewal premiums received in advance. Of the remaining, Insurer submitted that deposits relate to lapsed policies awaiting receipt of pending requirements from the customers for considering reinstatements. Insurer also submitted that it has taken measures such as sending out physical letters, SMSs and Telecalling etc. which resulted in further reduction of the outstanding deposits. Considering the submissions of the insurer charges are not pressed.

14. **Charge: 14:** Premiums due on reinsurance ceded are not paid on time. As per the outstanding premiums and claims statement received from M/s. Swiss-Re as at 31.12.2009 the premiums are in arrears from previous year and the claims receivable are also in arrears for more than 3 quarters. Violation of Prudent Risk Management practices.

Decision: Insurer submitted that owing to the ruling of Karnataka High Court (ITA No. 2808 of 2005) there was delay in the settlement of balances between company and the reinsurer. It also submitted that a comprehensive review of the reinsurance data was undertaken and sent to respective reinsurers for their verification who had approved all the reinsurance claims as at March 31, 2010. Insurer also submitted that all the claims which had become payable were settled in full by Metlife. Considering the submissions of the Insurer it is to mention here that Reinsurance is an integral part of a prudent business model for a life insurer and all transactions with the reinsurer shall be completed as per the agreed terms and conditions in order to see that the claim obligations are met from the reinsurers' side. In light of the confirmation from the insurer on the settlement of claims to the ultimate policy holder no charges are pressed. And the Insurer is advised to put in place prudent risk management practices with regard to reinsurance.

15. **Charge: 15:** The asset liability cash flows were not discussed in the ALCO meetings. On examining asset liability cash flows, it is noticed that the mismatches are occurring in 9th year and 13th year in respect of Non-Linked Par Products and Non-Linked Non par products. - **Violation of 2(9) of ALSM Regulations**

Decision: The Insurer submitted that it is monitoring the assets and liability cash flows on a quarterly basis, the ALM position is being constantly reviewed and an update is provided to the Board Committee. On considering the submissions it is noticed that the

mismatch of cash flows are significant coupled with poor position of free assets which is a matter of concern. Hence, Insurer is cautioned to ensure compliance to IRDA (Assets Liabilities and Solvency Margin) Regulations, 2000.

16. Charge 16: The defects in the Policy Administration System resulted in wrong unitization of premium in respect of Unit Linked Policies i.e. under or over statement of unit balances to customers. The financial impact of less creation of units in policy holders' accounts is estimated close to Rs 7 Crores. The insurer also did not send the fund statements to its ULIP policyholders. Internal controls are not commensurate to the Business Volumes - **Violation of ULIP guidelines.**

Decision: The Company submitted that these errors were on account of defects in the earlier Policy Admin Systems and that it has changed to new system as of May, 2009. Regarding not forwarding fund statements to policyholders the company submitted that the statements were not sent to ensure that no customers were allocated lesser units. It further submitted that it has proactively taken steps to rectify the issues arising from the defects in policy Admn system.

On examining the submissions it is noticed that the company did not have in place effective policy servicing system as Insurer did not take timely measures to fix the gaps though, the gaps were identified in the internal audit observations during the year 2008. The submissions of the Insurer are not acceptable as there is a breach in the trust reposed by policyholders by overstating or / and understating the fund accounts of ULIPs.

Hence, under powers vested in Section 14 (2) (h) of IRDA Act, 1999 the Life Insurer is hereby directed to cause an audit of entire ULIP policies' transaction effected by this defective Policy Administrative System and submit the Authority a certification regarding the accuracy of the Fund Account Statements of Policies soon after the completion of the audit referred herein. The Chartered Accountant firm chosen by the Life Insurer shall have a standing service of 10 years in conducting audit of reputed firms of Financial Services and the particulars of the audit firm shall be notified to the Authority soon after its appointment, but within 30 days from the date of issue of this order. Notwithstanding the requirement referred herein the serious gaps in the defective policy admin system are considered as a serious violation impacting the financial interests of policy holders and under powers vested in the provisions of Section 102 of the Act a penalty of Rs 20,00,000 (Rupees Twenty Lakhs Only) is imposed for this violation.

17. Charge 17: It is noticed that the insurer has failed to put in place the mechanism required for appropriate valuation of Assets and arriving at 'Available Solvency Margin'

- 1) Wrong Classification of leasehold improvements
- 2) Wrong valuation of Reinsurance Receivables
- 3) Service Tax advanced taken into account for ASM

4) Subscriptions received against rights issue taken into account for ASM

In view of this the solvency ratio of the company as at 31.03.2010, which is reported by the Insurer as 1.65 is not correct - **Violation of 64 VA of the Insurance Act, 1938.**

Decision: The Company submitted that as per regulation 2 of the IRDA (ALSM) Regulations all the movable furniture items have been classified under the head 'Furniture & Fittings' and placed with "Zero" value and "Leasehold improvements" form part of the Buildings hence cannot be equated with movable items like "Furniture and Fittings". It further submitted that Regulation 2 of the IRDA (ALSM) Regulations states that all assets other than categorically mentioned in the regulation (furniture and fittings in this case) need to be valued at book value and accordingly, it has consistently valued leasehold improvements at book (depreciated) value. Regarding reinsurance receivables for more than 90 days it submitted that there is a corresponding payable to reinsurers which was considered in the solvency calculation and the disallowance has already been considered consistently. Regarding Advance Service Tax paid on behalf of policyholders, Insurer submitted that as per the IRDA (ALSM) regulations only advances of an unrealizable character should be placed with value zero. As per terms and conditions of Met Growth policies, any tax (including Service Tax) need to be borne by policyholders and service tax liability on charges collected on the product "Met Growth" will be recovered from the policy holders on receipt of subsequent modal premiums by way of unit cancellations. Accordingly, Service Tax paid on behalf of the policyholder has been shown as recoverable and considered for solvency purposes.

Regarding considering the Amount received from MetLife International, the Insurer submitted that the amount received as subscription money towards rights issue is against specific rights entitlement by the respective shareholders subscribed by them against specific capital calls and as such is part of the shareholders' funds available for solvency margin and has been rightfully considered for computation of solvency being shareholders' funds. In light of these explanations, the Insurer contests that, solvency margin as on 31.3.10 may be considered at 1.65.

On comprehensively examining the solvency margin calculations submitted by the Life Insurer, it is noticed that an amount of Rs 184.87 Crores received towards share capital subscription due for adjustment as at 31.03.2010 was considered for solvency purposes owing to which the solvency calculation was considered inconsistent with Section 64 VA of the Act as indicated in the Charge. However, it is noticed that out of Rs 184.87 Crores an amount of Rs 161.36 Crores was adjusted to share capital during 2010-11. Taking cognizance of Life Insurer adjusting Rs 161.36 Crores towards share capital, the Authority noticed that the revised solvency ratio works out to 1.04.

The Authority is already seized with the matter and the solvency position of the life insurer is being examined and dealt with separately. Hence, no charges are pressed here.

18. Charge 18: Outstanding provision for funding of future premium is not shown in the financials in respect of death claim under Met Magic plan. Unit balances under these policies were being nullified when claim is approved, though the plan has inbuilt premium waiver benefit - **Violation of Regulation 8 of IRDA (Protection of Policyholders Interests) Regulations, 2002.**

Decision: The Company submitted that the system was rectified in November 2010 and all the claims have been processed as per Terms and Conditions of the Policy. It also submitted that as the first maturity payout falls due only in March, 2019, there is no impact on the interests of policyholders. Taking into consideration the submissions of the Insurer charges are not pressed and the Insurer is directed to strictly comply with the provisions of Regulation 8 of IRDA (Protection of Policyholders Interests) Regulations, 2002.

19. Charge 19: The Death claims are registered with delay, resulting into variation in fund value as on date of death intimation and date of registration of death claim in the systems. Hence true picture of unit fund on any particular date is not considered - **Violation of 10.6.2 of ULIP Guidelines & Violation of IRDA (Protection of Policyholders Interests) Regulations 2002 & Point no. 3 (b) of Annexure – 1 of Corporate Governance guidelines (Circular No. IRDA/F&A/Cir/025/2009-10 dated 05 August, 2009).**

Decision: The Company confirms that the issue was identified in August 2010 itself and that the actual eligible fund values were paid to the claimants though there were differences in the dates. As Insurer submitted having taken remedial measures and ensured the settlement of eligible fund value the charges are not pressed. However, the Insurer is advised to put in place effective operational procedures in order to protect the interests of policyholders.

20. Charge 20: As per policy conditions in case of death during grace period charges other than policy allocation charges are recoverable. However, while settling death claim under ULIPs, if death occurs within the grace period, Insurer is unduly collecting 'premium allocation charge' – **There is an inconsistency in the policy wording vis-a-vis the File and Use which is in Violation of File & Use.**

Decision: The insurer submitted that recovery of due premium in the grace period of the policy is in accordance with the approved terms and conditions of the File and Use. On examining the submissions of the Insurer vis-a-vis the File and Use it is observed that, the Insurer is entitled to recover all the charges relevant to the policy contract. However, the practice of Insurer recovering the overdue premium and adding the investible amount to the fund value is an operational practice which deserves to be revisited, as Insurer is only entitled to recover the overdue charges, but not the entire premiums. Hence, Insurer is hereby directed to put in place operational procedures in accordance to agreed terms and conditions. Insurer is also directed to maintain consistency in the terms and conditions of policy document with that of File and Use cleared by the Authority.

21. **Charge 21:** Free Look Cancellations entertained for reasons other than disagreement with the terms and conditions of the policy contract. Further, in case of free look cancellations and subsequent issue of new policies, insurer is writing back the difference between the fund value under cancelled policy and premium amount under new policy to 'Met-life' account and no deduction towards stamp fee or mortality charges is made. **This is in violation of the provisions of Regulation 6(2) of the IRDA (Protection of Policyholders' Interests) Regulations, 2002.**

Decision: Insurer submitted that keeping in view the customer's interest free look cancellations for reasons other than the disagreement with terms and conditions considered on an exceptional basis. As regards adjusting free look cancellation funds internally insurer informs that to retain the customer, certain administrative charges are waived off as part of the customer grievance redressal best practice and these exceptions are duly approved by designated Managers in Customer's interest. From the submissions of the insurer it is noticed that the number of free look cancellations for the reasons other than disagreement with the terms and conditions though not significant, entertaining such requests may only lead to possible market mis-conduct. As regards practice of allowing exemptions from the recovery of stipulated charges on exercising the Free Look Options, it is to mention that this practice may adversely affect the interests of policyholders that are continuing the policies. Based on submissions that the deviations on Free Look were only on exceptional basis in the interest of consumers, charges are not pressed. However, Insurer is advised to ensure compliance to Regulation 6 (2) of IRDA (protection of policyholders' interests) Regulations, 2002.

22. **Charge 22:** The Insurer is in practice of crediting back the units redeemed on surrender / partial withdrawals after execution of such requests, giving scope for a possible market arbitrage - **Violation of File and Use.**

Decision: The Insurer submitted that as part of customer retention and service strategy it emphasizes the long term benefits of insurance policy and due to this there were instances where customers have chosen to take fresh policies or have reconsidered their decision of surrender / partial withdrawal. On examining the submissions it is stated, that, any effort of the insurer to retain the policy holders shall be before the execution of a policy holder's request, as the procedure of remitting back the surrender / partial withdrawal amount may let some policyholders take an undue market arbitrage at the cost of continuing policy holders. However, keeping in view the submissions as also the number of cases the matter is not pressed and the Insurer is directed to ensure strict compliance to File and Use at all times.

23. **Charge 23:** Insurer is registering deferred assignments based on declaration for deferred assignment effective from the deferred date - **Violation of Section 38 (2) of Insurance Act, 1938.**

Decision: Insurer submitted that the deferred assignment is nothing but a conditional assignment permissible under Section 38 (7) of the Act and that no complaints are received from the customers. As against the submissions of the insurer, it is to state that deferred assignment cannot be treated in line with conditional assignment as defined under section 38 (7) of Insurance Act, 1938. Keeping in view the submissions of the insurer that there were no grievances received, the charges are not pressed. However the insurer is cautioned to ensure compliance to Section 38 of **Insurance Act, 1938.**

24. **Charge 24:** Top up premium remitted at various offices of the insurer is unitized at head office. Delay is observed in unitizing the premium received and also backdated NAV is used in case of top up premium collected - Violation of point no. 10.6.1 of ULIP guidelines dated 21.12.2005.

Decision: Insurer submitted that Top-ups are collected through various sources and due care is taken to ensure compliance to ULIP guidelines, but in stray cases if there is a delay due to internal reasons the customer is compensated for the NAV loss. On examining the submissions it is noticed that the company admitted the gaps in the procedures in place for servicing the ULIP policy holders. Though, the absolute number of cases (41 in 2007-08 to 732 in 2010-11) are on rise, the quantum of monetary compensation (Rs 0.41 lacs in 2007-08 to Rs 4.56 lacs in 2010-11) remitted is not significant. While there is enough scope for arresting the operational gap when noticed in 2007-08 itself, the company sounds to be not paying enough attention to fix the gap thereby leading to increased number of cases. It is also noted that the company is in practice of making the monetary compensations from Policyholders' Account, which is considered as unjustified. It is desired that any monetary compensation to the individual policyholders as a result of systemic failures shall flow from Share Holders Account. Taking into consideration the submissions and the volumes of instances, I caution the Insurer for not putting in place appropriate policy service measures commensurate with the volumes of the business and charges are not pressed. Insurer is also directed to put in place measures for timely allocation of units in respect of all ULIP policies by duly complying with the applicable and relevant ULIP guidelines. The Insurer is also directed to make any such monetary compensation hereafter from the shareholders account, but not by debiting policy holders' account.

25. **Charge 25:** Statement of account shows adjustments which were made for correcting over statement/ understatement of units as observed in the internal audit report. Due to these errors in unit statements, insurer has not sent the annual unit statements to policyholders - **Procedures in place are not in the interest of policy holders and non submission of unit statements also a violation of point no. 14.3 of ULIP guidelines dated 21.12.2005.**

Decision: Insurer admits that there was a limitation in the earlier Policy Admin system which was identified in 2007 and that it has corrected over 60,000 account statements and sent across the same to customers. Insurer also submitted that effective September 2010 the periodic account statements are being sent for the Unit Linked Policies. On examining the

submissions of the insurer, it is noticed that there are severe operational lapses under Unit Linked business. The non-issuance of Unit account statements is not in conformity with point no. 14.3 of the guidelines on unit linked products. A similar procedural lapse is also noticed in Charge 16 above. The audit directed in the said decision shall also cover the policy servicing deficiencies revealed here. In light of regulatory actions taken therein, no charges are pressed again here.

26. Charge 26: It is observed that Financial Planning Consultants (FPC) who are full time employees allotted to intermediaries for business support are soliciting the business on behalf of the intermediaries basing on the lead / referral provided by the corporate agents and Brokers. The Advisor / Agent report is being given by the FPC and countersigned by the Lead generator or Referral provider (who is not a licensed entity). Commission is paid to Intermediaries on policies not sourced by them - Violation of 40 (2A) of the Ins Act.

Decision: Insurer submitted that FPCs are appointed to provide technical support and training, mentoring and handholding the Intermediary staff with no role to play in the solicitation of the business and that the Business solicited by Corporate Agents and Brokers used to get captured through the FPC code mentioned on the application forms. On examining the submissions it is noticed that the insurer is employing the FPCs for facilitating the insurance business of the intermediaries by deploying at the offices of the intermediaries. Considering the submissions, no charges are pressed and the insurer is directed to comply with the provisions of Section 40 (2A) of the Act.

27. Charge 27: Insurer engaged the services of Individuals and Corporates / firms on an "exclusive basis" as "Consultants (CBM)", to identify, recruit, train, mentor and develop financial advisors (FAs). It is observed that the CBMs are involved in the process of solicitation and procuring the insurance business. CBM is remunerated as a percentage of the commission earned by the individual Agents resulting into overriding commission. It is also noticed that the some of the CBMs are the licensed intermediaries of other life insurers - Violation of Section 40 (2A) and 42 D (8) of the Act and IRDA Circular No. IRDA/CIR/010/2003 dated 27/03/2003.

Decision: The insurer submitted that the CBMs are engaged only to identify and groom the Financial Advisors and they are not allowed to solicit the business. It also submitted that CBMs are paid remunerations for their services, which include agent activation, training, infrastructure support etc. It also states that in most instances, the CBMs have unknowingly signed on the documents which were supposed to be signed by the licensed insurance intermediaries. From the charges it is noted that the CBMs were engaging in solicitation & procuring business, and also giving Moral Hazard Reports which is not acceptable business practise. From the submissions of the insurer it is also noticed that out of total 1430 CBMs there were 291 CBMs who are licensed insurance agents of other insurers. Thus the Insurer did not put in place effective measures to carry out the required due diligence while engaging the business partners. I consider the charge as a

serious violation of Section 40 (2A) and 42 D (8) of the Act and IRDA Circular No. IRDA/CIR/010/2003 dated 27/03/2003 accordingly in powers vested under section 102 of the Act a penalty of Rs 5,00,000 (Rupees Five Lakhs Only) is imposed. Insurer is also cautioned to ensure adherence to the statutory provisions and circular referred herein.

28. Charge 28: The Insurer has engaged the services of unlicensed individuals and Corporates for soliciting and procuring insurance business. During 2009-10, Insurer engaged the services of around 3830 entities as Referrals, Lead Generators and Database share partners and paid Rs 5 Crores as remuneration. It is observed that all these entities are involved in lead generation. And Insurer continued such relationships and obtaining leads / referrals even after the issuance of IRDA (Sharing of Database for Distribution of Insurance Products), 2010 and IRDA (Insurance Advertisements and Disclosure) (Amendment) Regulations, 2010. These are in Violation of Section 40 (2A) and 42 D (8) of the Act, IRDA Circular No. IRDA/CIR/010/2003 dated 27/03/2003 Circular IRDA/F&I/CIR/DATA/091/06/2010 dated 10th June, 2010 & Regulation 14 of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010.

Decision: Insurer submitted that there were some partners signed up under Data Base sharing arrangement with an understanding of providing it leads and that in some instances the Lead Generators inadvertently signed the application forms. Insurer further submitted that this has been taken note and the process correction has been effected. As regards continuing the lead generation agreements, Insurer submitted that such agreements were continued, in accordance with the guidelines, with only those entities, which are eligible to be converted into referrals in its assessment based on the guidelines. From the submissions it is noticed that that the company has in place around 1000 individuals as referrals who were paid (in Crores) Rs 2.13 (in 2007-08), Rs 3.80 (2008-09), Rs 3.14 (2009-10) and Rs 2.41 (2010-11) and around 170 entities.

Considering the submissions of the Insurer that these arrangements have been terminated, charges are not pressed. However, Insurer is advised to ensure compliance to IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010.

As regards the charge of referrals soliciting insurance business, the submissions of the insurer that they were inadvertently signed the proposal forms is considered as highly untenable and I observe that these unlicensed individuals / entities involved in the solicitation of insurance business against statutory and regulatory provisions. However, as a penalty is already imposed for a similar observation at Charge No. 27, charges are not pressed here again. The Insurer is warned for not having in place effective operational procedures to fix the possible gaps.

29. Charge 29: Remunerations apart from commissions are paid to Corporate Agents, Brokers, Referral and Data sharing partners. It is noticed that Insurer is floating contests

for the Referral Partners and expenses are incurred. Violation of Section 42 D (8) of the Act and payment of amounts on contests to referral partners is in violation of referral circular IRDA/Cir/004/2003 dated 14.02.2003.

Decision: The insurer submitted that the contests are for employees of partners and also for referral/Database sharing partners to motivate for more number of leads. From the submissions it is noticed that various amounts are paid to the lead generators as incentives i.e. during 2007-08 - Rs 1.09 Cr, during 2008-09 - 1.82 Cr and in 2009-10 - Rs 1.80 Cr. Life Insurer also submitted that no direct incentive payments were made to channel partners.

As regards payments other than commission payable to licensed distribution partners it is observed that the following payments are made to the distribution partners referred hereunder during the respective financial years.

(Amount in lakhs)

SI No	Description	2008-09	2009-10	2010-11
1	Life Line – Corporate Agent			
	Other Payments (Advertisement and Publicity)	39.87	-	-
	% of Other Payments on First Yr Premium	20%	-	-
2	Prime Time Promoters – Corporate Agents			
	Other Payments (Advertisement and Publicity)	24.57	-	-
	% of Other Payments on First Yr Premium	23%	-	-
3	Axis Sales – Corporate Agents			
	Other Payments (Legal & Professional Charges)	254.16	321.45	
	% of Other Payments on First Yr Premium + Single Premium	374%	2840%	
4	The Karnataka Bank Ltd –Corporate Agent			
	Other Payments (Advertisement and Publicity)	-	-	906.52
	% of Other Payments on First Yr + Single Premium	-	-	13%

As noticed, the extent of Other Payments made, as a percentage on First Year Premium and Single Premium, to the Corporate Agents referred herein were quite substantial. On examining I consider that these payments are in no way reasonable and also not in commensurate to the First Year premium income / single premium income generated.

On analytically examining the submissions of the Insurer, I conclude that the above referred Other Payments made by the Insurer to the Corporate Agents referred therein are completely in violation of Section 40 A of Insurance Act, 1938 and point no. 21 of Corporate Agents' Guidelines (Circular No. 017/IRDA/Circular/CA Guidelines/2005 dated 14th July, 2005). It is observed that there are 5 instances of such wrong payments and the

Authority concludes that these Five instances are of wrongful payment and thus the Authority imposes a penalty of Rs.5 lakhs for each instance amounting to a total of Rs.25,00,000 (Twenty Five Lakhs only) under provisions of Section 102 of the Insurance Act.

The penalty referred herein is to be paid by insurer without prejudice to the action which the AUTHORITY would take against the Corporate Agents who have by receiving such payments also violated the regulatory instructions, the onus of which would equally lie on insurer.

However, the payments made to certain other Corporate Agents are considered as a negligible percentage and hence, no charges are pressed.

As regards payment of incentives to Corporate Agents and Brokers, Insurer is directed that no payments shall be made to any person who is not licensed to solicit the Insurance business.

As regards payment of incentives to employees of referral partners, the Life Insurer incurred Rs6,23,128 (2007-08), Rs53,23,481 (2008-09) and Rs42,33,496 (2009-10) towards incentives to employees of M/s Axis Bank and Rs 59,05,000 (2008-09) and Rs 19,15,300 (2009-10) to the employees of M/s Barclays, both referral partners.

In addition to incentives, Rs 30,05,000 is paid to M/s Axis Bank, referral partner, towards Communication Expenses, Facilities Expenses and Advertisement and Publicity during 2009-10. Payments of these nature to the referral partners which are in addition to referral fee, is a violation of IRDA Circular No. IRDA/CIR/010/2003 dated 27/03/2003. Hence, in powers vested under Section 102 of the Act, a penalty of Rs 5,00,000 (Rupees Five Lakhs) is imposed and the Insurer is advised to abide by the statutory and regulatory provisions while engaging business partners for the purpose of solicitation of insurance business. Insurer is also advised to ensure compliance to IRDA (Sharing of database for distribution of the insurance products) Regulations, 2010.

30. Charge 30: Insurer has sold the Group insurance through Corporate Agents. The insurer has not verified the corporate agents' compliance to Group guidelines, 2005 during inspections on Corp Agents - Violation of circular IRDA/CAGTS/CIR/LCE/093/06/2010 dated June 07, 2010.

Decision: The Company has submitted that this was inadvertently missed out during the Corporate Agents' inspection done in September 2010 and reiterates that Employer – Employee business procured is strictly in accordance with the Group Guidelines. The Company further confirms that it has complied with the circular: IRDA/CAGTS/CIR/LCE/093/06/2010 dated June 07, 2010 during the annual inspection carried in 2011. In light of the submissions, charges are not pressed.

31. Charge 31: Insurer is covering risk without collecting required premium on due date in respect of new additional lives added during currency of the Group policy - Violation of Section 64 VB of Insurance Act, 1938.

Decision: Insurer submitted that Member Addition/Deletion for a group policy happens throughout the policy year and that indents are raised calling for the balance premium, for additions where sufficient premium balance is not available in the group suspense. It also submitted that there is complete control on non settlement of claims to these set of new members in respect of whom premiums are to be received and which is also notified to the Group Policy Holder. It also submitted that Group Insurance Policies are adjustable policies under Rule 59 of Insurance Rules, 1939; specific relaxation is available from the applicability of Section 64 VB of the Act.

From the submissions as also from the charge, it is noticed that *the insurer is extending the GI coverage and then informing the MPH to remit the premium which is in violation of Section 64 VB. The insurer's submission that the Group policies are adjustable policies under Rule 59 of Insurance Rules 1939 is not acceptable as Rule 59 does not apply to Group Life Insurance and hence specific relaxations to the provisions of Section 64 VB are not available. However, based on submissions that prudence is exercised while settling the claims the charges are not pressed and Insurer is advised to ensure receipt of premium before commencement of risk in compliance to Section 64 VB of Insurance Act, 1938 in respect of all Members of all Group Insurance Policies.*

32. Charge 32: It is observed that Insurer is settling death benefit to the Group Master Policyholder in non-employer-employee cases in respect of 'Group Term Insurance Policies - Violation of Clause C-7 of Group Guidelines, 2005.

Decision: *The insurer submitted that the Group Policy Holder (GPH) happens to be the nominee in all the policies, as the Insurance coverage was given against the loans sanctioned by GPH to their members. It also submitted that the Claim payments under such policies made to the master policyholder were in line with the F&U as approved by the authority for the product Met Loan Assure. On examining the submissions it is noticed that the practice of insurer issuing claim cheques in favour of Master Policy Holders of various unorganised groups is not an acceptable practice. In the absence of non settlement of claims in favour of the beneficiary of the group insurance policy the financial interests of the dependents of the deceased policyholders may be jeopardised. In light of this I find that there is a violation of Clause C (7) of Group Insurance Guidelines and hence, under powers vested under section 102 of the Act, a penalty of Rs1,00,000 (Rupees one lakh only) is imposed. The Insurer is also hereby directed to ensure compliance to Clause 7 of Group Insurance Guidelines dated 14th July, 2005.*

33. Charge 33: The Insurer has neither carried out any surprise inspection of the books and records of the Group organizer or manager at least once a year nor obtained a certificate of such compliance from the auditors of the Group organizer - **Violation of Clause 11 of Group Guidelines, 2005.**

Decision: Insurer submitted that it has commenced the process of carrying out the surprise inspection and obtaining auditors certificates from Group Policy Holders. In light of this the charges are not pressed. However insurer is advised to ensure compliance to Clause 11 of Group Guidelines, 2005 hereafter in respect of all its Group Insurance Business.

34. Charge 34: Insurer has entered into Referral agreement with Axis Bank for marketing and also entered into a service level agreement with Axis Sales for administration of the Group Product covering the borrowers of the Bank and paid referral fee/ administration fee @ 10% of the single premium received - Violation of Clause B-2 of Group Guidelines, 2005.

Decision: Insurer submitted that it has paid referral fee to Axis Bank in terms of referral agreement entered in terms of Referral Circular dated 14th February, 2003 issued by IRDA and that the referral agreement is not exclusively for marketing group insurance policies hence, Clause B (2) is not applicable. As regards the Service Level Agreement with Axis Sales it submitted that the agreement is an independent service agreement for provision of services such as administration, complaint handling, provision of management etc. Hence, the compensation is in consideration of the services. I consider the submissions of the insurer as not acceptable since the Group Insurance Guidelines issued on 14-July-2005 supersede the referral circular referred by the Insurer. Hence, there is no case to let the referral partner receive referral fee on Group Insurance Business. From the submissions it is noticed that Met Life paid Rs 1,58,02,000 as referral fee during 2008-09 in respect of 2 schemes covering 7476 lives, which is considered as a wrong payment and in violation of Clause B (2) of the Group Insurance Guidelines. Hence, under powers vested under Section 102 of the Act, I hereby impose a penalty of Rs 5,00,000 (Rupees Five Lakhs Only) for this violation.

As regards payment of administrative fee to Axis Sales, the submissions of the insurer that a service provider, Axis Sales, is engaged for administration of group insurance business is examined. It is also noticed that Axis Sales which is the subsidiary of Axis bank, was paid Rs 2,54,16,031 in respect of one scheme covering 4585 lives on a total premium of Rs 18,06,02,020, which works out to approximately 14%. On analytically examining, I observe that since Clause C – 4 prohibits reimbursement of administrative expenses to the Master Policy Holder; the Insurer ingeniously entered into agreement with Axis Sales. I also observed that all the functions for which the said agreement was stated to have been entered with Axis Sales are what a prudent insurer is supposed to

discharge in house. In light of this, I am constrained to warn the Insurer for not following Clause C (4) of Group Guidelines by spirit and direct the Insurer to be more prudent and maintain prudent business principles by adhering to regulatory instructions by letter and also by spirit.

35. Charge 35: Insurer has engaged the services of several consultancies for valuation of Gratuity/ Superannuation / Leave encashment benefits which actually is the responsibility of the trustee/employer. The insurer is meeting the cost of the valuation unduly. **Violation of Section 41 of Insurance Act, 1938**

Decision: Insurer submitted that it cannot be construed as a rebate to any particular policy and the services were provided to both prospective and existing clients as part of the general services to facilitate actuarial valuation. It also states that its Board has directed to compete on the strength of 'services' and 'education' to the customers in general including the customers who might choose other insurers. Taking into consideration the submissions, no charges are pressed.

36. Charge 36: The insurer has issued some policies under "Employee-Employer" scheme, even where the percentage of holding of the employee (insured) & his family members exceeded 5% of the share capital of the company/firm. **Violation of Life Council guidelines dated 12th October, 2007.**

Decision: Insurer submitted that it has instituted process controls to implement adherence to the recommendation made by the Life Council on the Employer - Employee Schemes. It also submitted that where several employees are being proposed for insurance while some of them may hold higher than 5% ownership the intent of the employer is to provide benefits to a group of eligible employees, based on their individual role and contributions, hence considered insurance after due discussions with Chief Underwriter. It also submitted that issuance of such policies may be treated as non adherence to a non-mandatory governance guideline of Life Council, and not a regulatory violation. On examining the submissions the charges are not pressed. However, the submissions of the insurer that Guidelines of Life Council are not binding is not acceptable, as the objective of bringing out such guidelines by Life Council is to bring in orderly discipline amongst all members of the council and to avoid a regulatory intervention. As a member of the Life Council, the Insurer is expected to follow the guidelines issued by the Life Council.

37. Charge 37: It is prescribed in the IRDA circular dated 30.01.2006 that "where the premium on the life of a partner is paid by another partner or by the partnership firm, the scope of cover is not wider than term assurance"- the insurer has issued few such policies. Violation of Cir no.036/IRDA/Life/Jan-06 dated 30.01.06.

Decision: Insurer submitted that the policies referred in the charge were not partnership policies but "Employer-Employee" policies where the proposed held less than 1% ownership. Considering the submissions of the insurer the charge is not pressed further.

- 38. Charge 38:** In some of the cases the projected income and status profile of the prospect is not matching and remittances through multiple DDs, similar profiles were observed - Violation of 3.2(ii)(a)(3) AML Guidelines.

Decision: The insurer submitted that it has a well defined Board approved AML policy with adequate operational controls in place and all such cases are reviewed for reporting as per the guidelines issued by the authority. Considering the submissions the charge is not pressed.

- 39. Charge 39:** Wrong categorization of policies with urban addresses as Rural. In the case of the social sector obligations, it is observed that, there are number of policies in which the occupation of Life Assured / Policy Holder is not covered under the definition of social sector. **Violation of Regulation (c) (d) (e) (f) (h) of IRDA (Obligations of Rural & Social sector) Regulations, 2002.**

Decision: Insurer submitted that subsequent to IRDA inspection the rural /social sector data was reviewed and reclassified to rectify the wrong classifications. Post reworking the rural sector numbers reported for the year 2008-09 was dropped by 0.69% to 18.64% from 19.33% originally reported. The Insurer requests for considering the year 2008-09 as 07th year of operation for reckoning rural and social sector obligations taking in to consideration IRDA (Rural and Social Sector Obligations, 04th Amendment) Regulations, 2008 notified on January 25, 2008. It requests to consider 06th August, 2001 as the year of commencement of operations.

At the outset it is clarified that as per 04th Amendment Regulations notified on 25th January, 2008 the insurer is exempted from Rural and Social Sector obligations if the Insurance Company commences operations in the Second half of the Financial Year. As per the submissions, considering 06th August, 2001 as the year of commencement of operations, 2008-09 has to be reckoned as eighth year of operations, hence the insurer has to fulfil 19% of total policies written direct as per Regulation 3B of IRDA (Rural and Social Sector Obligations) Regulations.

From the submissions and the charges it is noticed that there is no management focus as regards the rural and social sector obligations. On considering the submissions it is directed that the Insurer shall put in place effective operational procedures to capture the accurate data in respect of Rural and Social Sector Obligation. And the Insurer is also cautioned to ensure data accuracy while complying with rural and social sector obligations.

From the revised data it is now noticed that the Insurer has completed 18.53% policies as rural policies as against a targeted percentage of 19% in the financial year 2008-09 thus, marginally fell short of the mandatory norm by 0.47% and the Insurer has violated the rural

norms for the year 2008-09, accordingly a penalty of Rs 5,00,000 (Rupees Five Lakhs Only) is imposed in terms of Section 105 B of the Act.

40. **Charge 40:** Cumulative cheques are collected from its business partners towards the premiums in case of rural policies. Letters are collected from the policyholders acquitting its responsibility until premium reached the Insurer. It is noticed that the average TAT for remitting the premiums at the offices of Insurers is quite long - **Violation of Section 64 VB of the Act.**

Decision: The insurer submitted that there is a practical difficulty in transit or collection of cash in case of rural business and as an exception; Cumulative cheques are collected to promote the rural business. It also submitted that since premiums are collected in advance there is no violation of Section 64VB of the Act. With regard to collecting letters from the policyholders, it submitted that since the distributing partner is acting as an agent of customer in order to make him aware and keeping in mind the interests of customer the letters are obtained. Insurer also submitted that it will not encourage premium collection in cash by intermediaries and specific provisions were in place in respective agreements while engaging intermediaries and that this practice of obtaining customer declaration has been discontinued since December, 2010.

The submissions of the insurer that the premiums were allowed to remit in consolidated form owing to the difficulty cannot be considered as valid, as the procedure lacks operational scrutiny to examine the veracity of the actual remittance of premiums by the life assured / policy holder. It may also leave a scope for potential premium funding by the third parties. In light of this the Insurer is directed to ensure the remittance of premiums by respective policyholders / authorised representatives in accordance to the terms and conditions of the policy contract and charges are not pressed.

As regards, delay in remittance of premiums at the offices of Insurers, on examining the submissions it is noticed that the average Turn around Time for remitting premiums at Insurer's office was around 5 – 7 days, which is considered quite significant and a conclusive evidence that procedures are not in place to comply with the provisions of Section 64 VB of the Act, which is regarded as a serious violation effecting the financial interests of policy holders. I consider the submissions of the Insurer that as premiums are collected in advance there is no violation of Section 64VB of the Act, as gross misinterpretation of the provisions of Section 64 VB (4) in accordance to which the insurance agent, when collecting premiums on behalf of an insurer shall remit the same within 24 hours of the collection. There seems to be no remedial measures initiated by the Life Insurer to comply with these provisions, though the Insurer was aware of these delays way back in the year 2007-08. Hence under powers vested in Section 102 of the Act, a penalty of Rs 5,00,000 (Rupees Five Lakhs only) is

imposed. Insurer is also directed to ensure compliance to provisions of Section 64 VB of the Act.

Regarding collecting the letters from policyholder acquitting the responsibility of the Insurer till premiums reach office, based on submissions that it has discontinued the practice no charges are pressed.

41. Charge: 41: Insurer has not put in place necessary MIS through generation of various exception reports covering critical areas of operations - Violation of point no. 12 of R2 form of IRDA (Registration of Indian Insurance Co) Regulations and Point no. 6 of Guidelines on Corporate Governance dated 05th August, 2009.

Decision: Insurer has confirmed putting in place business process management capability as early as in 2009 and further explained that there is a Governance structure to report the exceptions in the process. Considering the submissions the charges are not pressed.

42. Charge: 42: The corporate guidelines issued by the authority calls for a company secretary to be nominated by the board to oversee the compliance of these norms on an ongoing process. The insurer has not complied with this requirement - **Violation of Guidelines on Corporate Governance dated 05th August, 2009.**

Decision: Insurer submitted that the specific nomination of the Company Secretary by the Board has been made at the meeting held on 11th March 2011. Based on submission no charges are 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 76,00,000 (Rupees Seventy Six lacs only), by debiting share holders' account, within a period of 15 days from the date of receipt of this Order through a crossed 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.

Insurer is also advised to confirm the compliance in respect of all directions referred in this order within 15 days from the date of receipt of this order.

Place: Hyderabad

Date: 05th October, 2012



(J. Hari Narayan)

Chairman