



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

Ref: IRDA/LIFE/ORD/MISC/235 /12/2013

**Final Order in matter of
M/s. TATA AIA Life Insurance Company Ltd.**

Based on Replies to Show Cause Notice Dt 26th July, 2013 and Submissions made in Personal Hearing on December 02, 2013 at 03.30 PM at the office of Insurance Regulatory & Development Authority, 3rd Floor, Parishram Bhavanam, Basheer Bagh, Hyderabad.

Personal hearing Chaired by Sri Sudhin Roy Chowdhury, Member (Life), IRDA

The Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") issued a Notice to Show Cause vide letter Ref: IRDA/LF/114/2012/11 dated July 25, 2013 on non-disclosure of complete information on the status of referral arrangement it had with M/s Sri Potti Sri Ramulu Nellore District Co-operative Central Bank Limited (hereafter referred as the *Referral Bank*).

The Authority issued above referred notice to show-cause which was responded to by the Insurer vide replies dated August 12, 2013 and September 20, 2013. As requested by the Life Insurer, a personal hearing was given to the Insurer by Member (Life), IRDA on December 02, 2013.

Sri M. Suresh, Chief Executive Officer and Sri S Swaminathan, Sr. Vice President – Legal, Compliance & Company Secretary were present. On behalf of IRDA Sri V Jayanth Kumar, Joint Director (Life), Sri D V S Ramesh, Deputy Director (Life-Coordination), Smt. Jyoti Bhagat, Assistant Director (OLI/Life-Referrals) were present. The submissions of the Insurer in their written replies to the charge levelled in the Show Cause Notice as also those made during the course of the personal hearing were taken into account and a decision is issued accordingly.

Issue:

1. The Life Insurer sought approval of IRDA to appoint the 'Referral Bank' as a referral company which was approved by IRDA on April 27, 2011. Subsequently, the Insurer entered into a referral agreement with the 'Referral Bank' on July 25, 2011.
2. The Authority received another referral application on February 22, 2013 from another Life Insurer (second application) seeking approval of the same Referral Bank as their referral company.
3. While intimating the status of referral agreement with the Referral Bank, the Life Insurer vide e-mail dated March 07, 2013 stated that the '*application was filed on*

August 03, 2011'. Based on the submissions of the Life Insurer considering the referral arrangement as 'active', the Authority in terms of Regulation 6(1) (g) and Regulation 7 of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010 (hereafter referred as regulations) rejected the second application filed by another Life Insurer on April 1, 2013. The Authority vide letter Ref: IRDA/LF/114/2012/111 dated May 07, 2013 informed the Life Insurer regarding the receipt of a second referral application from another Life Insurer and non-approval of the same. The Life Insurer was also requested to notify the Authority any further developments in the matter of referral arrangement with the Referral Bank in terms of Regulation 11 (5) of the Regulations. In response, the life insurer vide letter dated May 24, 2013 informed the termination of the referral arrangement with the referral bank with effect from May 20, 2013 and also submitted a copy of the termination notice dated May 23, 2013.

4. Clarifications were sought from the Referral Bank vide letter Ref: IRDA/LF/114/2012/111 dated May 07, 2013 for submitting second referral application with another life insurer in violation of Regulation 6 (1) (g) of the Regulations. The referral Bank vide letter dated May 23, 2013 informed that they have issued a termination notice of referral agreement to TATA AIA Life Insurance Company vide letter dated May 25, 2012 which was acknowledged by TATA AIA Life Insurance Company on June 7, 2012. The Referral Bank also forwarded a copy of acknowledgement of the Life Insurer.
5. On receipt of the information from the Referral Bank, while informing the submissions of the Referral Bank regarding issuance of the termination notice, the Authority vide letter dated June 05, 2013 sought clarifications from the Life Insurer on the non-disclosure of the termination notice issued by the Referral Bank to the Authority despite calling for an up-to-date status vide e-mail dated March 07, 2013. In response, vide e-mail dated June 06, 2013; the Life Insurer informed that it did not receive any notice of termination from the Referral Bank.
6. In response to the Show Cause Notice, the Life Insurer on August 12, 2013 submitted that the termination notice dated May 25, 2012 issued by the Referral Bank was not received by the Life Insurer on June 07, 2012 and sought a copy of the acknowledgment produced by the referral Bank. Also, the Life Insurer submitted that since the date of agreement till the date of termination no business has been generated with the Referral Bank.
7. A copy of the acknowledgement receipt was forwarded to the Life Insurer as desired and the Life Insurer vide its reply dated September 20, 2013 *acknowledged that the Airway Bill has a round stamp dated June 7, 2012 of TATA AIA Life* but there was no entry in their inward register.
8. On examining the entire matter it was considered that the Life Insurer violated the provisions of :-
 - a) Regulation 11(4) and Regulation 11(5) of IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010 by not informing the status of the referral bank to the Authority.

- b) Regulation 12(b) of IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010 by not disclosing complete information on termination notice given by the Bank

Further, the Life Insurer during the course of personal hearing acknowledged that:-

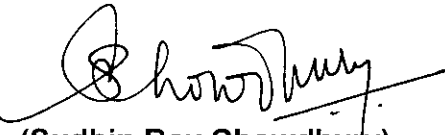
1. Acknowledgement slip has a round stamp of TATA AIA Life but there is no inward entry in their inward register.
2. There is a procedure lapse on the part of the Life Insurer while handling the Inward mails and that it would be strengthening the internal systems.

Decision:

The information forwarded by the life insurer intimating the status of the referral agreement vide e-mail dated March 07, 2013 that the status was 'Application filed on August 03, 2011' was vague and evasive in nature and is considered as non-disclosure of material information affecting the business interests of the Referral Bank and another life insurer. On examining the termination notice dated May 23, 2013 issued by the Life Insurer to the Referral Bank, it is noticed that the referral arrangement was abruptly terminated by the Life Insurer without citing any reason or rhyme when clarifications were persistently sought by the Authority. The Life Insurer acknowledging its Corporate Office's round stamp on the acknowledgement slip submitted by the Referral Bank highlights the need for improving the internal systems and the compliance norms. In light of this, the copies of a manual inward register submitted by the Life Insurer offered no regulatory comfort and therefore are not taken into consideration. Hence, it is treated that the Life Insurer has violated the provisions of Regulation 11(4), Regulation 11(5) and Regulation 12 (b) of IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010.

However keeping in view the fact that the life insurer did not generate any business through the Referral Bank and the submissions that there was no deliberate intention of non-disclosure of information called for by the Authority, a considered view has been taken. The Authority therefore cautions M/s TATA AIA Life Insurance Company for not complying with the regulatory provisions referred above. The Authority also directs the Life Insurer to put in place effective procedures for complying with IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010.

Date : 18th December, 2013
Place : Hyderabad


(Sudhin Roy Chowdhury)
Member (Life)