



No. IRDAI/ENF/ORD/ONS/227/08/2021

**Final Order in the matter of  
Corporation Bank, Corporate Agent  
(now merged with Union Bank of India)**

[Based on reply to the Show Cause Notice dated 23-01-2020 and submissions made during Hearing held on 26-11-2020, taken by Member (Life), through video conference.]

**Background -:**

The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s. Corporation Bank, Corporate Agent, (hereinafter referred to as "the CA" or "Bank") during 5<sup>th</sup> to 7<sup>th</sup> March, 2018. The Authority forwarded a copy of the Inspection Report to the CA seeking comments and the CA's comments were received vide their letter dated 7<sup>th</sup> April, 2018.

**Show-Cause Notice, Reply and Personal Hearing-:**

2. Upon examining the submissions made by the CA, the Authority issued Show Cause Notice on 23-01-2020, which was responded to by the CA vide letters dated 31-01-2020 and 12-03-2020. The CA in that letter had requested for a personal hearing to put forth their oral submissions.
3. It is to be mentioned here that during the period intervening the receipt of reply to Show Cause Notice and the holding of Hearing in the matter, the Corporation Bank had got merged with Union Bank of India. In view of that merger, all the duties, responsibilities and liabilities of the Corporation Bank devolved upon M/s. Union Bank of India. In this background, the Hearing had to be attended by the officials of the Union Bank of India.
4. Accordingly, the hearing fixed through video conference for 26<sup>th</sup> November, 2020 was attended by the officials of the Union Bank of India. The officials who attended the hearing on behalf of the CA were Shri A. Radhakrishnan, DGM, Shri T. Prakash, AGM, Shri Asheesh Saxena, Chief Manager, Shri Ravi Shankar, Chief Manager. On behalf of the Authority, Shri T.S. Naik, GM (Agency Distribution), Shri Prabhat Kumar Maiti GM(Enforcement) and Shri B. Raghavan, DGM (Enforcement) were present during the personal hearing.
5. The submissions made by the CA in their written reply to the Show Cause Notice and those made during the course of the hearing and the documents submitted by



the CA in reply to SCN and those submitted post hearing have been considered by the Authority and accordingly the decision on the charges is detailed below.

### **Charges, Submissions in reply thereof and Decision -:**

#### **6. Charge No. 1:**

Violation of Regulation 14 (VI) of IRDAI (CA) Regulations 2015.

#### **Inspection Observation:**

(a) From the data submitted for FY 2016-17, it is noticed that there are many specified persons who procured business more than 2000 policies in a year. The details of life business procured by such specified persons in life business could not be extracted by the CA because CA's systems did not capture the same.

(b) It is noticed that for 141 policies group size were wrong and Group size is zero for one policy. Further, the data as at 31.03.2017 and 31.03.2016 was extracted from non-life insurer's system as there is an indication of "**the data to be submitted by the Banker**" which is specified as column in the data. Hence here also it is concluded that the CA did not have system to maintain the policy records by policy wise & specified person wise for non-life business.

(c) The Corporate Agent (CA) was asked to provide the soft copies of entire policy dockets, including all papers at pre-sale and post-sale process, for a sample of policies of Life Insurance and General Insurance business procured by it during the FY 2016-17 & FY 2015-16. The CA did not provide the same even during the days of inspection.

Further, the CA could not submit the specified person-wise policy details for life insurance business, in the specified format which shows that the CA did not maintain the records capturing the details of specified persons along with the respective insurance policies.

#### **Reply to SCN:**

(a) As on 31<sup>st</sup> December 2019 bank was having 836 specified persons increased from 102 SPs and CA has mapped these specified persons to their various branches to mobilize insurance business. The CA is also in process to further increase the strength of specified person in their Bank to mobilize insurance business. Further, branches have been instructed to retain one copy of the proposal form and to ensure to obtain the policy issued. A system has been put in place to maintain the policy records by policy wise and SP wise for non-life business.

(b) Bank is having Corp Medclaim Product group health insurance tie up with the New India Assurance Company limited to fulfill the health insurance requirements of bank account holders. The CA requested the New India insurance company (NIACL) about rectification of wrong group size.



(c) At the time of inspection at their office, the CA had submitted policy documents and relevant papers for some of the policies. Now they are providing the details of all life insurance policies sought by the authority at the time of audit in CD.

### **Submissions during Hearing:**

Whatever data was available with the CA they had submitted to the inspection at the time of inspection itself. For some data since they were not available with the CA they had to get it from the insurer. Further, they submitted all the data after the inspection was completed in response to the inspection report

The CA spoke about the efforts taken by them subsequent to the inspection, to maintain data and further stated that by 31st March 2021 the systems will be active by which all the data in in regard to the policies solicited by them will be available with the CA themselves. The CA reiterated that it is not the entire data for which they were dependent on the insurer. In fact, the CA was maintaining data with themselves but where some data was missing the CA approached the insurer for the data and placed it for inspection.

### **Decision:**

Regulation 14 (vi) of IRDA (Registration of Corporate Agents) Regulations, 2015, mandates the CA to maintain records policy-wise and specified person-wise and each policy solicited by the corporate agent should be tagged to the specified person. Not only that, the regulation also mandates that the CA shall ensure access to the Authority to those records as and when the Authority wants, but the inspection observation and the reply of the CA clearly shows that there is no maintenance of records and sometimes the CA has to seek the assistance of the insurer to extract the records. It reflects badly on the CA. Further, it shows that the CA has not taken the responsibilities cast on them by the regulations, seriously enough.

In this background, the CA is directed to effectively and sincerely address the concerns mentioned in the inspection observation not only because maintenance of records is an inescapable regulatory requirement but absence of correct records and data will create problems, difficulties and detriment for the policyholder and to the CA. Hence keeping in view these facts, the CA must ensure strict compliance to every component contained in Regulation 14(vi) of the IRDA (Registration of Corporate Agents) Regulations, 2015.

### **7. Charge No.2**

Violation of Regulations 2 (p), 7 (3) (c) and section 3 (ii) (a) & (m) of schedule III of Regulation 27 of IRDAI (CA) Regulations 2015.

### **Inspection Observation:**



For non-life business as at 31.03.2017 it is noticed in a sample of nine specified persons, that one SP is functioning upto 246 branches procuring upto 6854 policies.

Further on examination of a sample of Life, Non-Life and Health policies, it was observed that the proposal forms did not capture the identity, for example, name, code and/or signature of the Specified Person who had procured that policy. The field for capturing the details of the concerned specified Person, "Declaration for Agents" of the proposal form was blank in such cases.

### **Reply to SCN:**

Initially the bank had limited SPs and hence multiple branches were mapped to single SPs. During financial year 2016-17, the CA were having 102 persons only under the composite category. Hence the CA mapped one specified person to various branches of the Bank.

Bank is having 850 Specified persons as on date to canvass insurance business on behalf of their Bank, covering branches undertaking insurance business. Further the bank is also in the process of increasing our SP strength to ensure that each branch to have one SP.

The bank is continuously in the process of educating the SPs regarding processing of proposal forms and also to mention their SP code in the insurance proposal forms. The bank is also educating its branches to solicit insurance business only through SPs through various communications.

### **Submissions during Hearing:**

As the number of SPs were low at the relevant time the CA submitted that they mapped the available SPs to the different branches. That in regard to the data relating to the number of policies solicited on a single day the CA submitted that there is some mismatch in the data. But the CA agreed that there was some let up from the side of the CA.

### **Decision:**

The content of the charge and the CA's submission thereto clearly indicates that there is neither any seriousness nor inclination to abide by the regulatory requirements. This also shows that the CA has not carried out due diligence and has failed to put only trained persons for solicitation. In addition, the CA does not seem to remember their responsibility to safeguard the interest of the policyholders. The haphazard manner in which the CA has functioned has the potential to put the policyholder to grave detriment and difficulty. In view of this, the CA is directed to develop a robust system ensure that details of SP, who is soliciting business, is recorded in the solicitation related document and the policy is tagged to that SP so as to comply with the respective regulatory provisions. The CA is further cautioned that any recurrence of similar lapse will be viewed seriously.



## **8. Charge No.3**

Violation of

- a. Clause 3 (ii) (a) & 3(ii)(m) of schedule III of Regulation 27 of IRDAI (Registration of Corporate Agents) Regulations 2015.
- b. Regulation 7 (3) (c) of IRDAI (Registration of Corporate Agents) Regulations 2015.

### **Inspection Observation:**

a) The details of specified persons were sought in a format but not submitted by the CA. Hence it was not possible to verify whether the business is procured by the license specified person.

b) On examination of non-life business as at 31.03.2017 it is noticed that four of the specified person procured business & acted as specified person before appointment as specified person of the CA; during the period October 2016 to February 2017.

### **Reply to SCN:**

The Division has started maintaining policy related documents at their head office. In case of non-receipt of the same, a follow up is done to obtain the same at the earliest.

As of now, Bank is having 850 Specified Persons to canvass insurance business on behalf of our Bank. All the policies are being procured through SPs mapped to different branches of the Bank.

Further, it is submitted that in view of less number of SPs in their Bank during financial year 2015-16 and 2016-17 some officials were identified in advance to solicit insurance business and also they were in the process of training during the same period.

### **Submissions during Hearing:**

The Principal officer of CA stated that some persons had solicited business before they were granted licence.

### **Decision:**

Regulation 7(3)(c) of IRDAI (Registration of Corporate Agents) Regulations 2015; mandates that "the Specified Persons engaged by the corporate agent to solicit and procure insurance business shall have valid certificate issued by the Authority, as specified in these Regulations". However, by permitting the SPs to solicit business



even before they acquired valid certificate, the CA had violated said regulation. From the data and documents collected during the inspection, it is observed that 4 individuals identified under the observation have solicited insurance policies during 46 different dates during the period October 2016 to February 2017. **Hence considering that violation continued for forty-six days, by virtue of powers vested under Section 102 (b) of the Insurance Act, 1938, the Authority levies on the CA a penalty of Rs.46,00,000/-(Rupees forty-six Lakhs only); which is calculated by applying the regulatory prescription “one lakh rupee for each day during which such failure continues or one crore rupees, whichever is less”.** The Corporate Agent is further advised to engage licensed Specified persons only to solicit Insurance policy.

#### **9. Charge. No.4**

Violation of Para 21 of the Licensing of Corporate Agency guidelines, dated 14-7-2005.

#### **Inspection Observation**

a) Under Corp Jeevan Raksha product where the corp bank has taken the group policy with LIC of India and Corp Bank is the group master policyholder & CA for LIC of India.

It is noticed that an amount of Rs 20/- per member per year was recovered from SB account holder of the respective policyholder on renewal date along with the insurance premium. This practice was continued in all the previous years from the start of the Corp Jeevan Raksha. Hence it is concluded that the CA was accepting fee along with the insurance premium. Further it is also noticed that the premium recovered from SB account and premium deposited to the insurer are different. The excess premium kept with the CA itself. Hence it is concluded that the CA was not remitting the entire premium which was recovered from the policyholder to LIC of India & retained the excess premium recovered with CA itself.

Further the Certificate of Insurance(COI) issued by the CA from its system. The Col was not issued by the LIC of India.

b) The CA provided 6 copies of renewal notices generated by New India Assurance Co Ltd in respect of existing Flexi Floater Group Medclaim policies with renewal dates during the FY 2017-18. After going through the details of renewal notices, it was observed that the total amount due was shown as consisting of premium, service tax and *Bank Charges*. The CA was then asked to provide the bank statements of these customers to understand the total payments debited from the accounts of customer, and also the following details:

a. Premium chart, with various charges



b. Group policy copy, along with the details of premium, commission in respect of all certificates issued under the policy

The CA however did not provide the full details asked for and only provided the details as under:

- a. Bank Statement of two policyholders on the date of renewal of policy
- b. A copy of premium chart wef 01.07.2017, and
- c. A copy of group mediclaim policy wef 16.05.2017

It was observed that the CA was charging & debiting the amount as *bank charges* from the accounts of policyholders at a specific rate varying by Sum Insured. Hence the CA was not following the fair practice towards dealings with the policyholders

#### **Reply to SCN:**

a) Bank has taken Corp Jeevan Raksha Group insurance policy from LIC of India for Account holders of CA's bank which provides Rs. 1 lakh Life insurance covers to account holder. Bank was collecting Rs. 20 as processing charges in Corp Jeevan Raksha. However, the said collection of processing charges under Corp Jeevan Raksha has been dispensed with from September 2019. Bank has also issued circular to their branches.

b) Corp Mediclaim was introduced by their bank in 2005. They have taken master policy from The New India Assurance company limited for providing health insurance to their account holders at a concessional premium including the commission paid to the bank. The extent of premium and charges details are provided by New India Assurance company limited. The service charge of Rs. 50 to Rs. 250 based on the premium amount was fixed to cover the processing cost of the bank. However, the collection of said processing charges under Corp mediclaim has been discontinued from 1.4.2019.

#### **Submissions during Hearing:**

The CA confirmed that they were collecting the fee mentioned in the inspection report but it has been stopped.

#### **Decision:**

The CA is directed that the moneys which the CA collected unduly and in violation of the regulations must be returned to the policyholders from whom they were collected. The refund must be completed within a period of three months from the date of receipt of this order. A status report in this regard should be submitted to the Authority, in the form of certificate from their Auditor to the effect that the above direction has been complied with.

#### **10. Charge No. 5**



Violation of 64VB(4) of IA 1938

a) From the CA's email dated 07.02.2018 the following were noticed:

- Premium under Corp Jeevan Raksha and Corp Suraksha was recovered by CA on 1<sup>st</sup> Oct and 1<sup>st</sup> Dec respectively where the Corporation bank recovered such premium on the said dates from the Corporation bank account holders.
- Such collected premium was remitted to pool account of the Corporation Bank.
- Subsequently from the pool account, premium was transferred to LIC of India within 15<sup>th</sup> of subsequent month of 1<sup>st</sup> Oct / 1<sup>st</sup> Dec as per the product.
- Hence premium which was recovered from the policyholder was remitted to the insurer by 15<sup>th</sup> of subsequent month.

b) Hence it is concluded that there was a delay in remittance of premium to LIC of India.

### **Submission of the CA:**

The CA is recovering the renewal premium for Corp Jeevan Raksha on 1<sup>st</sup> October of every year and Corp Suraksha (for education loan borrowers) on 1<sup>st</sup> December of every year.

All the premium collected are pooled at Corp Jeevan Raksha and Corp Suraksha centralised pooling account and CA was remitting the premium collected to LIC of India along with the details of policyholders before 5<sup>th</sup> of every month.

However, the said system is discontinued with and the premium collected under the Corp Jeevan Raksha and Corp Suraksha (education loan) schemes are being remitted on daily basis.

### **Submission during hearing:**

It was submitted by the corporate agent that though there was delay in depositing the premium with the insurer yet the cover was granted to the insured from the date of deduction of the premium from his account.

### **Decision:**

The CA is cautioned for deviating from the requirement of Section 64VB which mandates an agent to deposit/despatch with the insurer, the premium collected, within 24 hours of such collection.

## **11. Charge No.6**

Violation of Regulation 30 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

The Corporate Agent (CA) was asked to provide and keep ready the soft copies of entire policy dockets, including all papers at pre-sale and post-sale process, for the





sample policies of Life Insurance and General Insurance business procured by it during the FY 2016-17 & FY 2015-16.

During inspection also, the CA was asked orally as well as by way of e-mails to provide the copies of entire policy dockets, including all papers at pre-sale and post-sale process, i.e. KYC, proposal forms, ACRs, Benefit illustrations, policy copies, premium receipts/registers, claim-related communications etc, for ALL the sample policies as communicated vide e-mails dated 02/03/2018. However, the CA didn't provide the same even during the days of inspection.

In view of the above and as discussed with & confirmed by the Principal Officer of Corporate Agent, it was observed that –

1. The Corporate Agent was getting the above documents in respect of sample policies from the respective insurers with whom the business was placed with by the Corporate Agent. However, the CA didn't provide the same till completion of inspection.
2. The Corporate agent did not have systems which maintain the records like KYC details of the clients, proposal forms, ACRs, Policy copies, premium receipts and all related documents at its Head Office, Managlore. The hard copies of the same are also not maintained at the Head Office by the CA.

The fact that the CA did not provide the required documents even during the three days of inspection indicates non-maintenance of records at the CA's branch offices as well.

#### **Reply to SCN:**

The Division has started obtaining and maintaining policy related documents at their head office. In case of non-receipt of the same, a follow up is done to obtain the same at the earliest.

#### **Submissions during Hearing:**

The CA admitted that there were some lapses on their part.

The CA stated that whatever maximum possible documents were available, were provided to the inspection team. They were trying to maintain the documents at the head office but due to vast network of the corporate agent, there was some delay in making available the documents but to the extent possible the documents were provided to the inspection. Subsequent to the inspection also documents were sent to the Authority.

The CA submitted that they sent strict instructions to the branches to submit all documents and since there were some hiccups in the initial stages and there were delays, but later on they started to get the documents from the branches and accordingly maximum possible documents were provided to the inspection.

**Decision:**

Maintenance of records is a main responsibility which the CA must undertake with absolute sincerity. Accordingly, the CA is advised to maintain the records with utmost seriousness and sincerity. Not only that, the records must be kept handy so as to make them available to the Authority's inspection as and when demanded to enable a smooth inspection.

**12. Summary of Decisions:**

The following is the summary of decisions in this order:

Brief Title of charge and the provisions violated	Decision
<p><b>Charge No.1 Failure to maintain SP wise records etc.</b></p> <p>Regulation 14(vi) of IRDA (Registration of Corporate Agents) Regulations, 2015.</p>	Direction
<p><b>Charge No.2: Single SP functioning in different branches SP details not recorded, etc.</b></p> <p>Violation of Regulations 2 (p), 7 (3) (c) and section 3 (ii) (a) &amp; (m) of schedule III of Regulation 27 of IRDAI (Registration of Corporate Agents) Regulations, 2015.</p>	Caution
<p><b>Charge No.3 Procurement of business without a valid certificate, using untrained persons for solicitation etc.</b></p> <p>Violation of Clause 3 (ii) (a) &amp; 3(2)(m) of schedule III of Regulation 27 of IRDAI (Registration of Corporate Agents) Regulations 2015 and Regulation 7(3)(c) of IRDAI (Registration of Corporate Agents) Regulations 2015.</p>	Penalty of Rs. 46 Lakhs and direction
<p><b>Charge No.4: Collection of Admn. Fee</b></p> <p>Violation of Para 21 of the Corporate Agency guidelines dated 14-7-2005.</p>	Direction
<p><b>Charge No.5: Failure to deposit premium within timelines.</b></p> <p>Violation of Section 64VB(4) of Insurance Act, 1938</p>	Caution
<p><b>Charge No.6: Non-maintenance of records</b></p> <p>Violation of Regulation 30 of IRDA (Registration of Corporate Agents) Regulations, 2015</p>	Advisory

**13.** As directed under the respective charges, the penalty of Rs 46 Lakhs (Rupees Forty Six Lakhs only) shall be remitted by the Corporate Agent within a period of 45 days from the date of receipt of this Order through NEFT/ RTGS (details for which





will be communicated separately). An intimation of remittance may be sent to Mr.Prabhat Kumar Maiti, General Manager (Enforcement) at the Insurance Regulatory and Development Authority of India, Sy. No. 115/1; Financial District; Nanakramguda, Gachibowli, Hyderabad – 500032.

**14.** The CA shall confirm compliance in respect of all the directions referred to in para 4 to 13 under this Order, within 21 days from the date of receipt of this order. The Order shall be placed before the Audit committee of the CA firm and also in the next immediate Board meeting and the CA shall submit to the Authority a copy of the minutes of the discussion.

**15.** If the CA feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Sd/-

Place: Hyderabad  
Date: 06<sup>th</sup> August 2021

(K. Ganesh)  
Member (Life)