



No. IRDA/ENF/ORD/ONS/ 178 /09/2019

**Final Order in the matter of**  
**M/s Shriram Transport Finance Company Ltd.**

[Based on reply to the Show Cause Notice dated 15<sup>th</sup> March, 2019 and submissions made during Personal Hearing held on 13<sup>th</sup> August, 2019 at 02:30 p.m. taken by Member (Distribution) at the office of Insurance Regulatory and Development Authority of India, Sy. No. 115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad].

**Background -:**

1. The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s. Shriram Transport Finance Company Ltd. (hereinafter referred to as "the Corporate Agent" or "CA") during 19-02-2018 to 21-02-2018. 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 16-04-2018. Upon examining the submissions made by the CA, the Authority issued Show Cause Notice on 15-03-2019 which was responded to by the CA vide letter dated 04-04-2019. As requested therein a personal hearing was given to the CA on 13-08-2019. Shri K. Ravisankar (President), Shri S. Sunder (Executive Director) and Shri U. Balasundararao (Principal Officer) were present in the hearing on behalf of the CA. On behalf of the Authority, Shri Sujay Banarji (Member - Distribution), Shri Prabhat Kumar Maiti (GM - Enforcement), Shri T.S. Naik (GM - Agency Distribution), Smt. P. Kanthisree (Manager- Agency Distribution) and Shri Chandan Singh, (AM - Enforcement) were present during the personal hearing.

2. The submissions made by the CA in their written reply to the Show Cause Notice and those made during the course of the personal hearing and the documents submitted by the CA in reply to SCN and those submitted post personal hearing in support of their submissions during Personal Hearing have been considered by the Authority and accordingly the decision on the charges is detailed below.

**3. Charge**

It was observed that 983 policies were solicited by one specified person (SP) with Employee Code 38176, between 14<sup>th</sup> April, 2015 and 28<sup>th</sup> March, 2017 although the said SP was relieved from employment on 13<sup>th</sup> April, 2015. It was also observed that on a given day the SPs were soliciting business across branches at different geographic locations.

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The CA is having the practice of solicitation by persons other than Specified Persons (SPs) and allot the policy in the name of SPs. In many cases, the proposal forms don't contain the details of intermediary/SP and signature of SP. In cases of products Viz. New Sri Life, Life Secure Plus, which are predominantly having non-guaranteed benefits; the benefit illustrations are not signed by the SPs or persons qualified to solicit business. Even the submission of the insurer clearly indicates that in majority of cases, involvement of SP is negligible during solicitation of business and hence the CA is engaging unlicensed persons for soliciting business. The CA has violated Clause II(3)(ii)(a), Clause II(3)(ii)(m), Clause II(3)(ii)(o) of Schedule-III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

#### **Submissions of CA -:**

The CA submitted that one of the SPs, who was relieved on 13th April 2015, had solicited the relevant 76 policies prior to his resignation and the administrative work of recording and issuing the policies was done after his relieving. The remaining 907 policies were cases of endorsement. The CA furnished copies of 76 proposal forms to prove that the solicitation was done before 14<sup>th</sup> April, 2015.

The CA further submitted that they offer only select simple protection plans– Shriram Life Cash Back Term Plan and Shriram Life Secure Plus plan – which are on traditional non-par platform, are consistent, standard and largely self-explanatory with guaranteed benefits. The choice of the product is such that the Specified Person doesn't have to illustrate any return (at 4% and 8%) on the premium as the benefits do not entail a return. The CA explained its business model of servicing the trucking community which is a close and intimate group where information on insurance is actively shared thus facilitating them to hold meetings/interactions. The customers who show interest in buying a policy, is assisted by the SP as and when required and hence this process of interaction and solicitation enables their SPs assisting multiple customers across branches on the same day. The CA currently has about 1600 branches and 550 SPs.

The CA accepted and acknowledged that signature of the Specified Person and details of the intermediary were not filled in certain sample life proposals.

#### **4. Decision -:**

**a) The CA has submitted 76 proposal forms out of which one proposal was submitted twice. Hence it is reckoned that the CA has solicited 75 proposals during the period under consideration. The 75 proposal forms have been examined. The said examination of the forms shows that none of the forms carries the date of solicitation, name and signature of the SP who solicited the business. Hence the CA has failed to demonstrate that the solicitation was done before 14<sup>th</sup> April, 2015 and by licensed SPs. Moreover, among the 907 cases of 'endorsement' (as declared by the CA), 277 policies were cancelled instead of being endorsed. Cancellation of about 30% of the policies claimed to have been**

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solicited by the said SP before his relieving date, leads to the inevitable conclusion of mis-selling and use of unauthorized/untrained persons by the CA to procure business.

b) In cases of products which are predominantly having non-guaranteed benefits, the benefit illustrations were not signed by the SPs. There are instances where the insurance plan and premium as mentioned in the proposal forms were differing from that mentioned in the benefit illustration (BI). These BIs were also not signed by the SP thereby violating Regulation 43(b) of IRDA (Non-Linked Insurance products) Regulations, 2013. This further strengthens the conclusion that the CA was engaging untrained and unauthorised persons to bring in business.

c) As the CA failed to establish that those 75 proposals were solicited by licensed SPs, for the reasons and grounds mentioned under (a) above, which are strengthened by the factors mentioned under (b) above, it is concluded that the CA has violated Clause II(3)(ii)(a), Clause II(3)(ii)(m), and Clause II(3)(ii)(o) of Schedule-III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

d) For the said violation, *in exercise of the powers vested in it under Section 102(b) of the Insurance Act, 1938, the Authority imposes on the Corporate Agent a penalty of Rs.15,00,000/- (Rupees Fifteen lakh only) which has been arrived at on the basis of Rupees one lakh per day during which the above said violation took place i.e. considering that 75 policies were solicited on 15 different dates.* In addition, the CA is directed to strictly comply with Clause II(3)(ii)(a), Clause II(3)(ii)(m), Clause II(3)(ii)(o) of Schedule-III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015 and Regulation 43(b) of IRDA (Non-Linked Insurance products) Regulations, 2013.

##### 5. 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:</b> Engagement of persons other than SPs to procure business</p> <p><b>Provision:</b> Clause II(3)(ii)(a), Clause II(3)(ii)(m), Clause II(3)(ii)(o) of Schedule-III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015</p>	<p><b>Penalty of Rs. 15 Lakh</b></p> <p><b>and Direction</b></p>

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6. As directed under the respective charge, the penalty of Rs. 15,00,000/- (Rupees Fifteen Lakh only) shall be remitted by the CA within a period of 15 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.

7. The CA shall confirm compliance in respect of all the directions referred to in para 5 of 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.

8. 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.

Place: Hyderabad  
Date: 27<sup>th</sup> September, 2019



(Sujay Banarji)  
Member (Distribution)