



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

Ref: IRDA/LIFE/ORD/MISC/ 015 /01/2014

**Final Order in matter of
M/s Birla Sun Life Insurance Company Ltd.**

Based on Replies to Show Cause Notice Dt 4th October, 2013 and submissions made in Personal Hearing on December 11, 2013 at 11.00 PM at the office of Insurance Regulatory & Development Authority, 3rdFloor, Parishram Bhavanam, Basheerbagh, Hyderabad.

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

The Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s. Birla Sun Life Insurance Company Limited (hereinafter referred to as "the Life Insurer") during May, 2013 to examine the extant compliance procedures with the Anti Money Laundering Guidelines issued by IRDA. The Authority forwarded the copy of the Inspection Report vide mail dated 24th June, 2013. Upon examining the submissions made by the Insurer, the Authority has issued a Show Cause Notice vide letter Ref: IRDA/Life/2013-14/45 dated 4th October, 2013 which was responded to by the Insurer vide letter dated 21st October, 2013. As requested therein, a personal hearing was given to the Insurer on 11th December, 2013.

Mr. Jayant Dua, CEO, Mr. Lalit Vermani, Chief Legal Compliance and Risk Officer and Ms. Keerti Gupta Head- Risk, Ms Usha Padmashali – Chief Manager (Underwriting), Mr Ram Shubhash Singh, Associate Vice President (Compliance) were present. On behalf of IRDA Dr Mamta Suri, Joint Director (Sectoral Development Department), Sri V Jayanth Kumar, Joint Director (Life), Sri D V S Ramesh, Deputy Director (Life-Coordination), Ms B Padmaja, Sr Assistant Director (Sectoral Development Department – AML&RI), Sri K Sridhar Rao, Assistant Director (Life-Regulatory Actions) were present.

The submissions made by the Insurer in their written reply to Show Cause Notice as also those made during the course of the personal hearing were taken into account.

The findings on the explanations offered by the Life Insurer to the charges levelled in the Show Cause Notice dated 04th October, 2013 and the decisions are as follows:

Charge: *Effective systems are not in place for carrying out detailed due diligence in the instances where premium payment crosses the threshold limit of Rs.1 lakh per annum. In few instances where high value premium was involved it was observed that measures were not taken to establish the source of funds as envisaged in Guidelines for Anti Money Laundering. This is considered in violation of Clause 3.1.1 (vii) and 3.1.5 of AML Master Circular No. IRDA/F&I/CIR/AML/158/09/2010 dated 24/09/2010.*

In response to the inspection observation, the insurer submitted that it is following all the requirements specified in the AML / CFT Master Circular 2010 and that where the Annual premium paid by the policy owner exceeds Rs.1 lakh, it ensured an income proof of the client is collected as part of the KYC requirement. A comparison of the premium vis-a-vis the declared income is done 'post issuance' of the policy from the perspective of ensuring that the source of funds is justified.

In response to the charge framed in the show cause notice, the Life Insurer further submitted that a comparison of the premium paid vis-a-vis the declared income is done in order to establish the premium paying capacity of the client and that additional / surrogate income proofs are called for on case to case basis based on the requirements of carrying out the additional due diligence.


Decision:

On examining the charge and submissions, it is noticed that the Life Insurer has relied on the declared income of the life assured / policyholder along with the Bank Statements submitted in the instances referred in the observation. However, Clause 3.1.5 of AML Master circular No IRDA/F&I/CIR/AML/158/09/2010 dated 24/9/2010 envisages the life insurers not limiting to mere documentation of income proofs but take appropriate measures which may include conducting independent enquires where required and consulting a credible database, as part of their due diligence measures to establish source of funds.

Taking into consideration the submissions made by the insurer that measures such as; (i) Mandatory Income Proof for all policies where premium is more than Rs 1 lac (ii) Validation for verification of income and other KYC documents (iii) validation of PAN; have been put in place to ensure compliance with relevant AML Guidelines of carrying out the additional due diligence wherever required, a considered view has been taken.

The Authority however advises M/s Birla Sun Life Insurance Company to lay adequate emphasis on effective procedures for strengthening the compliance norms of the AML Master circular No: IRDA/F&I/CIR/AML/158/09/2010 dated 24/9/2010 and all subsequent regulatory instructions issued on this matter from time to time.

Place: Hyderabad,
Date: 15th January, 2014


MEMBER (Life)