



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

Ref: IRDA/LIFE/ORD/MISC/166/07/2014

**Final Order in the matter of  
M/s. Sahara India Life Insurance Company Limited**

**Based on Reply to Show Cause Notice Dated 11<sup>th</sup> April, 2014 and Submissions made during Personal Hearing Chaired by Sri T.S. Vijayan, Chairman, IRDA on 20<sup>th</sup> June, 2014 at 11:30 AM at the office of Insurance Regulatory and Development Authority, 3<sup>rd</sup> Floor, Parishrama Bhavanam, Basheer Bagh, Hyderabad**

On examination of the Annual Business returns for the period ending 31<sup>st</sup> March, 2013 filed by M/s. Sahara India Life Insurance Company Limited (hereinafter referred to as "the Life Insurer") it was noticed by the Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") that the Life Insurer did not fulfill the obligations towards Social Sector as specified in the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002, (hereinafter referred to as "Regulations"). The life insurer covered 31,444 lives as against the targeted number of covering 35000 lives from the Social Sector in its 8<sup>th</sup> year of operations.

The Authority vide e-mail dated 11<sup>th</sup> September, 2013 sought observations of the Life Insurer on the shortfall. Upon examining the submissions made by the Life Insurer vide its e-mail dated 12<sup>th</sup> September, 2013, the Authority has issued a Show Cause Notice vide letter No. IRDA/Life/2012-13/131 dated 11<sup>th</sup> April, 2014 which was responded to by the Life Insurer vide letter dated 28<sup>th</sup> April, 2014. As requested therein, a personal hearing was given to the Life Insurer on 20<sup>th</sup> June, 2014.

Mr. Sanjay Agarwal, Managing Director and Chief Executive Officer and Mr. Parakh Tandon, Chief Compliance Officer were present in the hearing on behalf of the Insurer. On behalf of the Authority, Mr D.D. Singh, Member (Distribution/Life), Mr V. Jayanth Kumar JD(Life), Mr G. R. Surya Kumar, DD (Executive Assistant to Chairman), Mr DVS Ramesh, DD (Life-Coordination) and Ms Jyoti Bhagai, AD (Life-Regulatory Actions) were present in the personal hearing.

The submissions made by the Life 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 issues raised in the Show Cause Notice and the decisions are as follows:

**Charge:** The Life Insurer was non-compliant with the Social Sector obligations for the financial year 2012-13. The company has procured only 31444 social sector lives against its mandatory target of 35000 lives. Thus, there is a shortfall of 3556 lives against its obligations in the eighth year of operation. This is considered in violation of

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the provisions of Section 32B and 32C of the Act and in violation of Regulation 3B (b) (i) (II) of the "Regulations".

In response, the Life Insurer vide letter dated 28<sup>th</sup> April, 2014 acknowledged the non-compliance of Social Sector Obligations for the financial year 2012-13 and also submitted that they had been complying with the said obligations during all the financial years prior to 2012-13. The Life Insurer attributed the shortfall in meeting the Social Sector Obligations, to the downward trend in the overall business when compared to the previous years. The company further submitted that it is taking various steps to grow overall business of the Company (with special focus on rural and social sector business) in the coming years and will put the special efforts to compensate the shortfall in Social Sector Obligations of 2012-13 in coming years.

**Decision:** The submissions of the Life Insurer that

- 1) It has fulfilled the obligations towards social sector in all the previous years.
- 2) Owing to the overall downward business trend there is a shortfall in the social sector business and that the social sector business constitutes 48.49% of the total business of the Insurer in 2012-13.

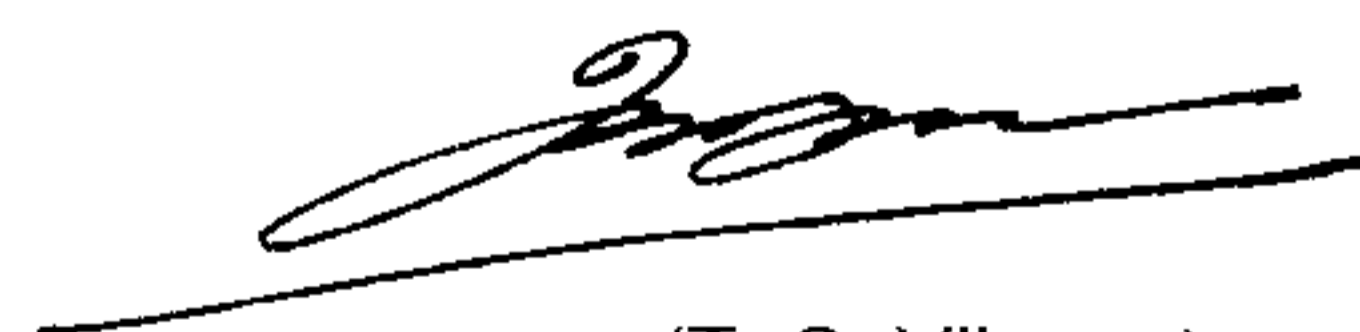
are taken into consideration. However compliance to Social Sector Obligations is a statutory mandate for all Insurers.

Therefore, under the powers vested in Section 105B, read with Section 105C, of the Insurance Act 1938, a penalty of Rs 5,00,000 (Rupees Five lakh only) is imposed on the Life Insurer for non-compliance with the provisions of the Regulations. The Life Insurer is also directed to ensure compliance with the provisions of the "Regulations" hereafter.

Hence, the penalty of Rs 5,00,000 (Rupees Five lakh only) shall be remitted by the Life Insurer by debiting the Shareholder's fund within a period of 15 days from the date of issuance 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 Bhavanam, Basheerbagh, Hyderabad 500 004.

Further, the Life Insurer is required to meet the unfulfilled part of the social sector obligation of the year 2012-13 in the year 2014-15 in addition to the obligation for the year 2014-15.

Place: Hyderabad  
Date: 23<sup>rd</sup> July, 2014



(T. S. Vijayan)  
CHAIRMAN