Ref.No: IRDA/ENF/ORD/ONS/046/03/2016

Final Order in the matter of M/s The New India Assurance Co Limited

Based on reply to the Show Cause Notice dated 29th May, 2015 and submissions made during Personal Hearing on 6th October, 2015 at 11:30 am taken by Member (F&I) at the office of Insurance Regulatory and Development Authority of India , 3rd Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad.

The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s **The New India Assurance Co Limited** (hereinafter referred to as "the General Insurer") from 14th to 18th February, 2011. The Authority forwarded the copy of the Inspection Report to the Insurer seeking comments on the same under the cover letter dated 28th June, 2011. Upon examining the submissions made by the Insurer vide letter dated 10th August, 2011 the Authority issued Show Cause Notice on 29th May, 2015 which was responded to by the Insurer vide letter dated 11th July, 2015. As requested therein, a personal hearing was given to the Insurer on 5th October, 2015. Mr. G.Srinivasan, CMD, Smt.S.N.Rajeswari, General Manager, Mr.A.P.Vasudeva, Deputy General Manager, Ms Jayashree Nair, Company Secretary & Compliance Officer were present in the hearing on behalf of the General Insurer. On behalf of the Authority, Mrs.V.R.Iyer, Member (F&I), Mr.Lalit Kumar, FA & HOD (Enforcement), Mr.Suresh Mathur, Sr.JD (Non-life), Mr.Prabhat Kumar Maiti, JD (Enforcement) and Mr. K.Sridhar, Sr.AD (Enforcement) were present during the personal hearing.

The submissions made by the Insurer in their written reply to the inspection observations, Show Cause Notice and also those made during the course of the personal hearing have been taken into account.

The findings on the explanations offered by the General Insurer to the issues raised in the Show Cause Notice and the decisions thereon are detailed below.

परिश्रम भवन, तीसरा तल, बशीरबाग, हैदराबाद-500 004. भारत
Parisharam Bhavan, 3rd Floor, Basheer Bagh, Hyderabad-500 004. India.
Ph : 91-040-2338 1100, Fax: 91-040-6682 3334

1) **Charge – 1**

The Chief Investment Officer (CIO) and Chief of Finance (CFO) are not the members of the insurer's Investment Committee.

Violation of Provision 9(1) of IRDA (Investment Regulations) 2000 and also Para 7.2 of Annexure II of Corporate Governance guidelines circular no.IRDA/F&A/Cir/025/2009-10 dated 5-8-2009.

Submission of the insurer:

The Chief Investment Officer (CIO) and Chief of Finance (CFO) are always attending the Investment Committee Meetings as invitees. However, as required by the Regulations the company has reconstituted the Investment Committee in 2012 to include the CIO, CFO and Appointed Actuary as members of the Investment Committee.

Decision:

Submission of insurer noted and is advised to ensure compliance to the Regulation at all times.

2) **Charge – 2**

The insurer does not have a whistle blower policy that encourages raising concerns and assures anti-retaliation.

Violation of point 13 of annexure II of the Corporate Governance guidelines circular no.. *IRDA/F&A/CIR/025/2009-10, dated 5-8-2009.*

Submission of the insurer:

The company has a full-fledged vigilance system and CVO is nominated from outside the company by the Ministry. The Whistle Blowers Act 2011 is applicable to the company as it has been enacted in May, 2014. However, in deference to the directives of the Authority we will move forward for a Board approved Whistle Blower's policy.

Decision:

The Authority takes note of the insurer submission on accepting to set up a whistle blower's policy and hence no charge is pressed. Insurer is advised to file the Board approved Whistle blower's policy within 3 months of the issue of the Order.

3) Charge – 3

a) The insurer issued circular authorizing RO's to allow up to 40% of the motor premium towards procurement expenses. Based on this circular, RO's are offering different schemes to Motor Dealers for attracting business.

b) The insurer has given entire option to the motor dealer whether to give discount or not and also at what rate to the policy holders. Obviously, the motor dealers will try to benefit most out of the above options and eventually, the policyholder will be at loss.

c) The insurer agreed to pay 10% commission + 42.5% Infrastructure expenses to one Hyundai Car dealer. The overall payout comes to 52.5% subject to ICR not exceeding 50%. Thus it is evident that the insurer is writing loss making motor business (because the total outgo exceeds 100%) which is a bad underwriting practice. In an internal note, the insurer has quoted that they have an agreement with M/s Honda Motor Cycles and Scooters India Ltd. where the payout is up to 48.5%. If the claims and payouts are combined, the margin available to meet 'expenses of management' is insufficient.

d) The insurer is also paying 2.5% to 4 % of the premium to the vehicle manufacturer and showing those as charges for services rendered as facilitator from the corporate level. The note submitted by the insurer on 'Dealer business' reveals that they have tie-ups with six auto manufacturers.

e) It is observed that the insurer is directly booking the motor business of some dealers without any agent and paying upto 40% of premium towards commission and infrastructure expenses. Thus insurer is procuring business through non-licensed entities.

f) After cancellation of corporate agency license of M/s Maruti Insurance by the Authority, the insurer is procuring business directly through Maruti dealers and the payouts are shown as infrastructure expenses. Now, the insurer is directly booking the business without any agent commission and paying 16% of premium directly to the motor dealer.

Violation of Point 3(ix), 8 & 11 of F&U guidelines dated 28/09/2006 and circular ref.no. IRDA/CIR/011/2003 dated 27-03-2003.

Submission of insurer:

For a, b & c:

It is convenient for the intermediaries to be in touch with customers at dealers' point to solicit business. In the process, the infrastructure and premises of the Dealers is being used for this purpose. In view of aforesaid scenario and looking in to the market practices the dealers have to be reimbursed/ paid for utilization of their infrastructure.

The Company's Board has therefore approved payment/ reimbursement of infrastructure expenses to the dealers with an upper limit of 40%. Further in view to penetrate in newer areas and also looking in to market competition, the Board authorized the CMD of the Company to consider cases which required exceeding the permitted cap.

d) The payments to vehicle manufacturers paid by the Company are basically for following purpose:

- Joint Publicity efforts for increase in public awareness.
- Product Development with a view to minimize loss.
- Any other claim minimization activity with a view to reduce chances of accident.
- Reduction in cost of repairs by way of agreed labour, painting schedule, development of child parts, insistence for specialized equipments reducing cost of repairs etc.
- Furnish/ share market information to take advantage of Market Intelligence.
- To create customized products in order to serve the customers in an exclusive manner.

e) In certain cases there is no intermediary between the customer and the Insurance Company and such business is being booked by the direct kit. The soliciting of business is usually done by the Branch Manager/ Divisional Manager / other officials looking after marketing assignments.

f) After cancellation of license of M/s. MIASL, it was decided to book the Maruti business in the direct kit of the Company. The soliciting of business is being done by the officials of company's local offices who have been given instructions to visit the Dealership daily, solicit the business, collect premium through CMS services, and ensure issuance of policies through System etc. The dealers are however paid infrastructure expenses as per agreed terms for utilization of their infrastructure / services.

Decision:

A) On examining the available documents it is noted that

i) Reimbursement of expenses to motor dealers towards infrastructure expenses was made by insurer as a

- Percentage of motor OD premium, but not on 'per policy' basis or a lumpsum payment on a periodical basis.
- Payments were linked to discounts to customers, thus reimbursement of expenses is not based on services offered..
- Payment towards structural expenses @ 20% on motor OD premium is

agreed to be paid to one motor dealer after review of claim performance of issued policy on quarterly basis.

ii) Infrastructure payments to few motor dealers was over and above the commission payment.

Further, insurer vide its reply dated 2nd December,2015 has not provided the TDS certificates of 4 out of 5 motor dealers sought during the personal hearing.

Thus insurer is directed to

1. Review the agreements terms and services outsourced to ensure compliance with the Outsourcing Guidelines issued by the Authority vide circular dated 1st February, 2011.
2. To ensure compliance to circular no.011/IRDA/Brok-Comm/Aug.-08, dated 25-8-2008 on 'Limits on payment of commission' which clearly directs a general insurer not to make a payment of any kind, including "administration or servicing charges" to the agent in respect of the business in respect of which he is paid agency commission.

B) The insurer has deviated from the discount structure filed with Authority under F&U guidelines dated 28/09/2006 on rating of motor risks.

i) In various available documents, it was observed that insurer was referring to erstwhile tariff premium but not to revised premium after detariffing. In one letter dated 19/07/2010 addressed from HO to CRM, Nagpur RO, insurer advised to charge erstwhile tariff premium, which means insurer was not charging revised premium filed under F&U guidelines.

ii) In an internal note of insurer, it was stated that dealers were more interested in payouts rather than reduction in premium by discounts and permission was sought for payouts in lieu of discounts. In various internal notes, reference was also drawn to 40% limit on own damage premium towards procurement costs, infrastructure expenses and discounts to customer.

Thus insurer has violated the F&U guidelines dated 28/09/2006 by not following the rating and discount structure filed with the Authority.

Further decision is at Charge 7 of the Order.

4) Charge – 4

The insurer has five Corporate Agency tie-ups with banks during 2009-10. As per the bancassurance statement, it is noted that three banks i.e Corporation Bank, Central Bank of India, Catholic Syrian Bank doesn't have a single specified person but still procuring significant business through their hundreds of branches. It is evident that the policies procured by these corporate agent banks are through non-specified persons.

Violation of Regulation 9(2) (ii) (a) of IRDA (Licensing of Corporate Agents) Regulations, 2002, para 2, 8 & 17 of Authority guidelines ref.no.17/IRDA/cir/AC guidelines/2005 dated 14-07-2005 and IRDA circular ref. IRDA/Cir/011/2003 dated 27.03.2003.

Submission of the insurer:

We would submit that now Corporation bank has the required number of specified persons as we have strongly insisted on this and presently the company does not have tie ups with Central Bank of India and Catholic Syrian Bank. In all the bank branches we had kept our employees on a permanent basis to solicit and facilitate finalization of business and wherever there are no specified persons posted, our Officers would visit the Bank office, fill up the proposal forms, rate the policy and collect the cheque.

Decision:

Insurance contracts being highly technical in nature, the Regulations issued by the Authority stipulated that the canvassing should be done only by "Specified Persons" engaged by the Corporate Agents and such specified persons should have the qualification prescribed by the Authority. Specified persons are given the responsibility for soliciting and procuring insurance business on behalf of the corporate agent. To ensure the compliance by insurer to this requirement, Authority has advised insurers to carry on regular, annual on-site Inspection of the tied Corporate Agents every year starting from September, 2010 vide circular no. *IRDA/CAGTS/CIR/LCE/093/06/2010, dated 7-6-2010.* Further, at checklist point A1 of the referred circular for on-site inspection of the corporate agent by insurer, insurers were also advised to examine whether the corporate agents are employing specified persons for solicitation.

On examining the records, **it is noted that the insurer accepted business from the three bancassurance corporate agents on pan india basis inspite of not having a single licensed specified person for general insurance business**. It is to be noted that insurer too is equally responsible to ensure sale of insurance products by corporate agent only through persons qualified as "specified persons".

Further, insurer in its reply to show cause notice has stated that Corporation bank presently have required number of specified persons. On this submission, Authority sought information with regard to number of specified persons licensed to solicit general insurance business with the three corporate agents from the beginning of the FY 2009 onwards to FY 2015 along with business details and to this insurer in its reply dated 14th December, 2015 informed that Corporation bank has 2 specified persons, Catholic Syrian Bank has 1 specified person and Central Bank with around 100 such persons till 2013. In this regard, insurer has not clearly specified the no of specified persons at the beginning of each of the financial year from 2009 onwards.

Further decision is sl.no.6 of the Order.

Here after, the insurer is advised to mandate the corporate agent to provide details of specified person involved in soliciting the business in the proposal form and also insurer to capture the details of the specified person involved in soliciting the business in its database, if it is through a corporate agent. Further, insurer to ensure that the corporate agent has adequate no of specified persons based on their geographical presence, business turnover etc., If the corporate agent is not compliant with the Regulations, insurer to reexamine its tie up with corporate agent.

5) **Charge 5:**

Two of the Corporate Agents have opted out of the corporate agency, but still booking some business with the insurer. It is observed that even after termination of the corporate agency agreements, the insurer is booking the business under their agency codes and giving commission credit to these banks though not releasing the commission.

It is also observed that the personnel at bancassurance DO, Mumbai are filling the proposal based on the details sent in a slip by the bank along with the cheque. Hence many proposals are without signature of the proposer.

Violation of clause 6 under Annexure II of Corporate Governance guidelines issued by Authority vide circular: No. IRDA/F&A/CIR/025/2009-10, dated 5-8-2009.

Submissions of insurer:

Where customers insist to take insurance with New India offices, there only-we have booked the premium under banks' corporate agency, but commission not

released. In all such cases of booking the premium, IT system automatically generates the commission but not released. Now, even that is stopped and no business will be identified in that code.

Mostly duly filled in proposals are received from the banks and underwritten for issuing the policy. However we are instructing our operating offices to incept the insurance only on the basis of duly filled in proposal form.

Decision:

a) It is noted from the insurer submission that though commission bill was generated, payment was not made for the business sourced after cancellation of agency agreement.
b) On acceptance of risk without proposer signature observed in one sample case, Authority notes that insurer instructed its operating staff on exercising controls while accepting business.

In this regard, submissions of insurer are noted and no charge is pressed.

6) Charge – 6

The insurer is procuring business and paying commission to the agents whose licenses expired long back.

Violation of IRDA circular ref. IRDA/Cir/011/2003 dated 27.03.2003

Submission of the insurer:

We would submit that this facility for continuing to book business to agents whose license have expired, was mainly due to the fact that Authority permitted renewing the licenses from retrospective dates, thus making the agents eligible for the commission retrospectively. This was the situation during the period the inspection was done. Subsequently, this situation was changed only later. The payment of commission had occurred during this change over period when the IT System used to generate commission voucher irrespective of the fact whether the licence is in force or not.

Prior to 1st April 2011, we had been using GENISYS platform wherein there was a Pop-up provision for reminding expiry of licenses and not to release commission. Now, we have switched over to CWISS platform effective 1st April 2011 and the Agent master data is fed in the system giving all the agency related details and

the validity period of agency licenses. Once a license is expired, there is no provision in the system to release the commission.

We confirm that in the present system the agency is terminated immediately after the expiry of the agency license and the system does not allow booking any business against the expired agent's code. We confirm that no commission was paid after expiry of license.

Decision:

It was observed that business was accepted by insurer from around 400 agents after expiry of license. Further, on seeking clarification of any business accepted from such agents post inspection observation i.e during 2011-12 and 2012-13, insurer submitted that due to huge time gap and also due to change from Genisys system to CWISS system, it was difficult to retrieve the data.

Thus, insurer has not only accepted the business from agents after their license expiry but also could not submit any documentary evidence on non acceptance of business from those agents after the observation by inspection team. Further, insurer understanding on Authority renewing an expired license from retrospective date is also not correct; renewing an expired license from a retrospective date is only for the operational convenience but doesn't mean that insurer is allowed to procure business during the license expiry period.

In view of the violation of the Authority Regulations/circulars/guidelines on soliciting of the accepting the business from the corporate agent on pan India basis without having a single specified person (Charge 4) and from license expired agents (Charge 6), the Authority in exercise of the powers vested under Section 102 (b) of the Act imposes a penalty of Rs.5 lakhs.

7) **Charge – 7**

As per schedule of rates effective from 01-01-2008, there was a provision to offer a 'discretionary/commercial' discount of up to 10% on the internal guide rate. It was noted that the insurer, vide circular dated 19-02-2008, has allowed regional office in-charge to offer 'discretionary/commercial' discounts without any upper limit in respect of the risks falling in their underwriting authority.

Violation of para 3 (ix), 8 & 11 of F&U guidelines dated 28/09/2006.

Submissions of insurer:

We wish to clarify that overall rating structure as per F&U guidelines was maintained. The rates quoted by the company are in line with what has been filed with IRDAI. Head Office had only delegated the authority to grant discounts as per F&U discounts up to the sum insured authority level of Regional Offices which was being done by Head Office till that point of time.

There has been clear authority levels prescribed for various levels of officers and this has been followed. We have been ensuring that discounts over and above that approved by the Board approved U/W policy should not be given.

Decision:

On examining the documents, it is noted that insurer vide a circular has allowed its regional incharges to offer discounts at their discretion for corporate clients. Thus insurer has allowed its offices to offer discounts at discretion but not based on the good risk factors. Further, on seeking clarification during the personal hearing, insurer maintained silence in its post personal hearing reply dated 14th December, 2015 with regard to details on the discretionary discount approval from Authority, maximum allowable discount as per the approved product etc., Thus, insurer has allowed discounts/discretionary discounts over and above the approved structure, thereby not complying with F&U guidelines.

In view of the violation of the F&U guidelines observed at charge 3 & 7, the Authority in exercise of the powers vested under Section 102 (b) of the Act imposes a penalty of Rs.5 lakhs.

8) **Charge – 8**

(a) Insurer is offering additional discounts than allowed under applicable underwriting norms. In the absence of any limit applicable for such additional discounts and without any mechanism for monitoring the experience in the cases where significantly higher additional discounts are offered, the underwriting policy of the insurer is not effective.

(b) As there were no critical underwriting measures undertaken to improve the performance of the business after suffering huge losses in 2008-09 and 2009-10, it appears that insurer's underwriting policy was not updated to cover how the Board will manage the effect of such decision

Violation of Para 15 (c) of Authority's File & Use circular dated 28-09-2006 and Para 6 of the Authority's circular dated 18-12-2007.

Submission of the insurer:

Pricing of Group policies has been streamlined. Loss ratio of Group policies on net earned premium has come down from 138% to 110%. All group policies are examined individually for claims experience and also business from other lines of business and overall profitability. Further r submitted that Incurred claim ratio of group health at 138.57% during FY 2009-10 came down to 111.34% by FY 2013-14 and similarly total health portfolio from 113.08% came down to 98.23%.

Decision:

As envisaged in the F&U guidelines, insurer is directed to rate risks on sound and prudent underwriting principles. Further, insurer is advised to review/monitor performance of loss making group health products by highest level at regular intervals and based on the review to consider renewal terms besides complying with F&U guidelines issued by Authority from time to time.

In this regard, insurer is also advised to have adequate checks and balances to ensure that ICR is maintained within sustainable range.

9) Charge 9

On examining sample claim files, delay was observed in processing the claims at various stages.

a) Sample 1: Insurer had accepted claim liability after 176 days from the receipt of final survey report.
b) Sample 2: The reason for delay in settlement was cited as "delayed submission of information by the insured/claimant". However, the insurer could not provide the copies of the communication with the insured regarding the same. The claim was settled with a delay of 265 days from receipt of final survey report.
c) Sample 3: The claim was settled after 589 days from receipt of final survey report.
d) Sample 4(f): The surveyor submitted his report after 170 days from the date of appointment. The reason for delay was cited as "delayed submission of information by the insured/claimant". However, the insurer could not provide the details of the communication with the insured regarding the same. Further, the claim was settled with a delay of 202 days from date of receipt of final survey report.
e) Sample 5: Investigator appointed by insurer submitted his report after 807 days from the date of appointment. The reason for delay was cited as "delayed

submission of information by the insured/claimant". However, the insurer could not provide the details of the communication with the insured regarding the same.

f) Sample 6: Insurer appointed surveyor after 81 days from date of intimation of loss. Surveyor has submitted his report after 302 days from the date of appointment. The claim was settled after 435 days from date of receipt of final survey report.
g) Sample 7: Investigator appointed by insurer submitted his report after 7 months.
h) Sample 8: Delay in settlement of motor claim from the date of loss is 434 days. Reasons for delay could not be ascertained.

Violation of provisions of Regulation 9(1, 5 & 6) of IRDA (Protection of Policyholders' Interests) Regulations, 2002 and Clause 6 of Annexure II of Corporate Governance guidelines circular no.IRDA/F&A/Cir/025/2009-10 dated 5-8-2009.

Submissions of insurer:

a. Sample 1: This was a complex fire claim. Insured did not co-operate and the surveyor had to pursue with the customer for securing various other documents to make a determination on the admissibility and quantum of the claim to make a recommendation on 'On Account' payment. This had led to passage of time.
b. Sample 2: Before submission of final report the surveyor unfortunately died. Later on another surveyor was deputed and insured was reminded to submit various required documents which were submitted by him on 16/10/2009 and the claim was approved on 11/11/2009.
c. Sample 3: Apparently the delay took place because of the nature of damages reported. The damages pertained to engine and the office suspected the loss may have arisen due to mechanical defects. The surveyor in this case was appointed directly by the repairer and our office came to know about the accident after 6 months when the surveyor sent the report.
d. Sample 4: Investigator was appointed and based on report claim was approved.
e. Sample 5: The undue delay has certainly taken place. We shall be advising the RO to instruct all ex-officers to be careful in these aspects.
f. Sample 6: The undue delay has certainly taken place. We shall be advising the RO to instruct all ex-officers to be careful in these aspects.
g. Sample 7: Not replied
h. Sample 8: The delay was mainly due to the non- cooperation of the insured.

We assure that necessary efforts will be again made in this regard to educate our working force once again about the need to settle claims fast and adhere to regulations of Policy holder's interest. Insurer further submitted that the claim settlement ratio has gone up from 83% in 2010-11 to 96% in 2014-15. We have an integrated Grievance management system and CORE insurance solution in which all claims are processed and monitored

Decision:

a) Sample 1: Delay of 176 days observed in making offer to the claimant after receipt of surveyor report.
b) Sample 2: Delay of 2 years 4 months from insurer's office in appointment of 2nd surveyor after the death of the first surveyor.
c) Sample 3: After receipt of surveyor report, insurer settled claim after 17 months.
d) Sample 4: Delay in seeking clarification from surveyor and further delay in settlement after receipt of surveyor clarification.
e) Sample 5: Insurer engaged an investigator who submitted his report after 27 months of appointment and insurer took further 3years after receipt of report for claim settlement.
f) Sample 6: Delay observed in surveyor appointment and settlement of claim after receipt of final requirement.
g) Sample 7: Delay observed in settling a benefit payment claim.
h) Sample 8: Delay observed in claim settlement.

Thus, on examining the sample settled claims, it is noted that there was a huge delay in appointment of surveyors, no follow up with surveyors on timely submission of report, delay in settlement after receipt of survey report by insurer etc have been observed.

In view of the violation of the IRDA (Protection of Policyholders' Interests) Regulations, 2002, the Authority in exercise of the powers vested under Section 102 (b) of the Act **imposes a penalty of Rs.5 lakhs**. Insurer to pay interest as prescribed under Regulation 9(6) of IRDA (Policyholders' Interests) Regulations, 2002 to all the above policyholders.

10) Charge 10:

Mid office and back office investment functions were not segregated by the insurer. This is also evident from 'Standard Operating Procedure' (SOP) of the insurer, as approved by the Board at 1501st meeting held on March 30th 2010, which

mentioned that 'Mid office & Back office' function will be clubbed together and attended by back office only.

It was further observed that dealer has the password authorized to do back office functions also i.e. dealer can execute the deals as well.

Violation of Point A (1) of Annexure III of IRDA (Investment) (Fourth Amendment) Regulations, 2008 issued vide reference no.INV/Cir/008/2008-09 dated 22-08-2008.

Submissions of insurer:
The functions of Front and Back Office were already segregated. Further the functions of Mid Office have been segregated w.e.f. 1st. July 2013. Functional Matrix has been drawn up and implemented which clearly demarcates the authority of persons in Front Mid, and Back Office. Thus maker checker concept has been implemented.

Decision:
Submissions of insurer noted and no charge is pressed.

11) Charge – 11

The 'Employee dealing guidelines/trading guidelines' are not in place. Insurer has 'Code , conduct and Discipline rule 2003' applicable to all the employee in general and it does not prevent the investment persons from taking the advantage of insider information available to them.

Violation of Point A (2) of Annexure III of IRDA (Investment) (Fourth Amendment) Regulations, 2008 issued vide circular no.INV/Cir/008/2008-09 dated 22-08-2008.

Submissions of insurer:
As a public sector undertaking we are governed by the CDA Rule of 2003 governing the investment activities of all the employees. The Employee dealing guidelines have been framed and adopted by the Board_in its meeting held on 13th. February 2012.

In view of the above we request to kindly treat the observation as complied with

Decision:
Board approved employee dealing guidelines being in place, submission of insurer noted and no charge is pressed.

12) Charge – 12

There is no segregation of the functions of the fund manager and dealer. SOP of the insurer is also silent on the fund managers and dealers authority matrix. Usage of mobile phone is not been banned in the dealing room, the dealing room does not have a mobile jammer in place and entry to the dealing room is not restricted through a proper access control system.

Violation of Point B (1) (a & c) of Annexure III of IRDA (Investment) (Fourth Amendment) Regulations, 2008 issued vide circular no.INV/Cir/008/2008-09 dated 22-08-2008.

Submissions of insurer:

The Chief Investment Officer (CIO) is not involved in dealing functions. The dealers are other personnel specifically assigned for the same. Biometric access control to the dealing room has been installed whereby entry to dealing room is restricted to authorized persons only.

The Employee dealing guideline point no. 7 states "that the mobile phones should be kept in silent mode in the dealing room". We have ensured that employees do not carry the mobile phone inside the dealing room. In view of the above we request to kindly treat the observation as complied with.

Decision:

Insurer is advised to document the segregation of functions between fund managers and dealers through an Authority matrix as a part of its Standard Operating procedure. Insurer is also advised to bar usage of mobile phones in the dealing room.

13) Charge 13

It was observed that investment system has no inbuilt checks in place for calculating exposure/ prudential norms, as such; system cannot signal the internal/regulatory breaches prior to taking such exposure. As informed Investments limits are monitored manually through spreadsheets at the time of each investment.

Violation of para B (2), C.1.b, C.3.b, C.4.a & C.5.a of Annexure III of IRDA (Invt) (4th Amendment) Regulations, 2008.

Submissions of insurer: :

The New version of the Credence software has been put in place and we are able to generate reports from the same. The System has the facility for calculating Company wise, Group wise, Industry wise exposure limits. The Software also has facility for monitoring the IRDA mandated investment norms.

Decision:

The General insurer submission is noted and no charge is pressed.

14) Charge – 14

The insurer's systems are not configured to automatically upload corporate actions. Also, the valuation of the investments including amortization is done manually on spreadsheets. The investment system is also not configured to capture the ratings on the investments.

Violation of point D (5) of Annexure III of IRDA (Investment) (Fourth Amendment) Regulations, 2008 issued vide circular no.INV/Cir/008/2008-09 dated 22-08-2008.

Submissions of insurer: We are having a varied portfolio wherein there are legacy unlisted items in addition to listed investments. Automation has not been possible till now due to the diversity of portfolio. Data is collected from various sources and manually fed into the system as part of corporate action. This automation has not been possible due to technology challenges due to varied data sources. We are however, pursuing solution for this.

Accrual and Amortization calculations are done on daily basis through the system. Investment systems are configured to capture ratings of investments.

Decision:

Insurer is advised to explore the option of enhancing the system capability to upload corporate actions w.r.t. listed investments.

15) Charge 15

There is no system based report for daily cash management. Cash available for placement in overnight money market is determined through spreadsheets.

Violation of point C (2)(a) of Annexure III of IRDA (Investment) (Fourth Amendment) Regulations, 2008 issued vide circular no.INV/Cir/008/2008-09 dated 22-08-2008.

Submissions of insurer:
We have already put in place system based report for daily cash management. We have also enabled through the system determination of cash available for placement in overnight money markets.

Decision:
Insurer took note of the observation and confirmed in its reply that system based report for cash management is in place. Submissions noted and no charge is pressed.

In conclusion, as directed under the respective charges, the penalty of Rs.15 lakh (Rupees Fifteen Lakh only) shall be debited to the shareholders' account of the general insurer and the amount shall be remitted to Insurance Regulatory and Development Authority of India within a period of 15 days from the date of receipt of this Order. The penalty shall be remitted through the NEFT as per details being intimated to the insurer as per a separate e-mail. The transfer shall be made under intimation to Mr.Lalit Kumar, FA & HOD-Enforcement.

Further,

a) The General Insurer shall confirm compliance in respect of all the directions referred to in this Order, within 15 days from the date of issuance of this order. Timelines, if any as applicable shall also be communicated to the Authority.
b) The Order shall be placed before the Audit committee of the insurer and also in the next immediate Board meeting and to provide a copy of the minutes of the discussion.
c) If the general insurer feels aggrieved by any of the decisions in this order, an appeal may be preferred to Securities Appellate Tribunal as per Section.110 of the Insurance Act, 1938.

Place: Hyderabad
Date: 11/03/2016

(V R IYER)
Member (F&I)