



Ref. IRDA/ENF/MISC/ONS/128/06/2016

Final Order in the matter of Max Life Insurance Company Limited

Based on reply to Show Cause Notice dated 24th February, 2016 and submissions made during Personal Hearing chaired by Mrs. V.R.Iyer, Member (F&I), Insurance Regulatory and Development Authority of India (IRDAI) on 25th May, 2016 at 11:30AM 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. Max Life Insurance Company Limited, (hereinafter referred to as "the Life Insurer/Company") from 25th February, 2013 to 7th March, 2013. A copy of the report was forwarded to the Life Insurer on 30th May, 2013 and the reply was received at the Authority vide letter dated 17th June, 2013. Post scrutiny of the first compliance, the Authority had raised further queries vide email dated 26th November, 2015 which was responded to by the Life Insurer vide email dated 1st December, 2015. On examining the submissions made (in above referred letter and email) by the Life Insurer to the inspection observations, it is observed that the Life Insurer has not complied with the applicable provisions of the Insurance Act, 1938, IRDA's Regulations, guidelines framed there under. A show cause notice was issued vide letter dated 24th February, 2016 which was responded to by the Life Insurer on 4th April, 2016. As requested by the Life Insurer, in his reply to Show Cause notice, a personal hearing was also held on 25th May, 2016 to hear out the submissions of the Life Insurer in person. Mr. Rajesh Sud, CEO, Mr. Prashant Tripathy, CFO, Mr. V.Viswanand, COO, Mr. Amitabh Lal Das, CLO and Mr. Jose John, Appointed Actuary were present on behalf of the Life Insurer. On behalf of the Authority, Mr. Lalit Kumar, FA & HoD (Enforcement), Mr. V. Jayanth Kumar, JD (Life), Mr. Prabhat Kumar Maiti, JD (Enforcement) and Mr. K. Sridhar Rao, Sr. Assistant Director (Enforcement) were present in the personal hearing.

During personal hearing, some more clarifications were also sought and they were called for vide email dated 31st May, 2016. The Life Insurer submitted their response to the same vide email dated 1st June, 2016.

All the submissions made by the Life Insurer as above and 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 following charges and the decisions are as follows.

Charge No.1

a) In cases where some changes in the policy contracts due to request for change/alteration from the policyholder had to be made (Requests such as Date of Birth (DOB) change, Increase Sum Assured, Death benefit option change etc.), the number appearing on the old proposal had been struck off and assigned a new number, instead of calling for fresh proposal along with latest KYC documents which was essential for issuing a new policy.

b) Even though the authentic proof of age was submitted under the latest proposal form, the Life Insurer had not made corrections in the previous policies of the policyholders which contained non-standard proof of date of birth.

c) On examination of the authority matrix for trade Investment Policy it was noticed that the matrix has not been incorporated in the Front Office module of Investment system. Therefore, the system is not capable of preventing the trades which might be in contravention of the authority matrix and it allows the fund manager to buy or sell up to any amount.

Violation of Clause 6 of Annexure II of Corporate Governance Guidelines IRDA/F&A/CIR/025/2009-10 dated 05/08/2009.

Submission by the Life Insurer

For a) and b) Substantial changes have been done in the system to ensure changes without altering the policy number. Based on the Authority's findings the company upgraded its policy administration system to allow almost all the DOB changes within 3 years. As DOB impacts product eligibility and customer benefits, certain minimal restrictions were retained with regard to altering DOB after 3 years of Date of commencement (DOC) of the policy. If company receive more authentic age proof with latest form, the new policy is issued only when the existing policy is corrected. If existing policy correction cannot be done due to premium shortage or breach of other conditions, the client ID with different DOBs are flagged as belonging to the same customer for future reference. Further the company is in the process of upgrading policy administration system in FY 2017 which allows a vast majority of such policy alterations to be done without altering the policy number. It is to certify that the company has not treated or reported such policies as new business where the earlier policy number is cancelled and new number is allotted. Further there is significant decrease of such cases since 2011 and with enhancement of systems in FY 2017, this number would be brought down further.

c) All regulatory limits are monitored through the system; authority matrix is adhered at all times as per the approved investment policy through manual control and monitoring. No exception to the Authority matrix has been made in the past or reported by the concurrent auditors in their quarterly reports over several years. Investment management system currently used by the Company is being used by majority of the insurers and any change in the system requires an industry wide change in the software. Further a certificate based on concurrent auditor's report certifying that "no exception to the Authority matrix has been noticed" is submitted.

Decision

a) and b)

Considering the submissions made, no charges are being pressed. However, the Life Insurer shall note that the policy administration system being used shall be adaptable to any type of policy alterations without any hassles. Hence the Life Insurer is advised to ensure non-recurrence of such issues by keeping requisite systems in place.



Further the Life Insurer is advised to ensure continuous compliance of the system readiness certifications submitted while filing the products with the Authority.

c) Considering the submissions made, no charges are being pressed. However, the Life Insurer is advised to ensure such gaps shall not lead to operational risk at all times.

Charge No.2

Delays were observed beyond the prescribed servicing TATs in respect of processing the surrender of policy requests under certain policies.

Submission by the Life Insurer

Surrender processing volumes have a high correlation with the unpredictable positive movement in the stock markets. In the Financial Year 2012- 2013, 2.5 lakh surrender requests were processed, which were 82% higher than the surrender volumes, for the Financial Year 2011-2012. The operational delivery was impacted as the inflow numbers were significantly higher than the anticipated numbers. However, initiatives like predictive forecasting of numbers, dedicated tracking of requests, systems enhancements etc have been taken to control the delays, which have improved the processing in the current year. Now the average TAT for surrender settlement is 5.4 days (financial year to date Feb, 16). Further it is to confirm that the company has responded to the surrender requests within 10 days as mandated in the Regulation mentioned herein. It is to undertake that penal interest for delay in processing of surrender request, if any on the part of the Company will be paid as envisaged in Regulation 8 of IRDA (Protection of policyholders' interests) Regulations, 2002.

Decision

Considering the submissions made, no charges are being pressed. However, the Life Insurer is advised to ensure continuous compliance with the pertinent Regulations /Circulars /Guidelines issued by the Authority hereinafter.

Charge No.3

a) Even without any request from the policyholder to settle the surrender value benefit, the surrender value is settled to the policyholders unilaterally within the period of reinstatement resulting into deviation from the terms and conditions of the respective products. Likewise 11643 policies were settled involving a payout of Rs.7.75 Crores.

b)

i) The Life Insurer was continuing to add new members to the "Group Gratuity- ULIP product UIN No. 104L030V01, even after issue of Authority's Circular dated 27.10.2010.

ii) Sum Assured and Free Cover Limit were allowed beyond approved Limits to the individual members.

iii) Policy administration charges were collected more than prescribed and approved under the File and Use application.

iv) The administration of group insurance schemes was not automated and the policies were administered manually through MS-Excel, which does not have inbuilt controls for various charge structures.

c)

i) Group Insurance premium was charged to individual members more than the rates prescribed under File and Use. No deviation report was also filed with the Authority.

ii) A sum assured of less than Rs. 5,000/- with respect to members of Group policy was allowed

iii) The premiums for the cover granted were remitted by the master policyholder with a huge delay ranging from 4 months to 10 months.

d) Charges for processing loan against policies were deducted from the loan amount at the time of disbursal. However, there was no mention in the policy contract about the processing charges applicable for policy loans.

e) The policy document issued to a Group Master Policy Holder (Group Credit Life Plan), did not contain the "Non-forfeiture" clause, though the members covered are eligible for a surrender value when the cover is terminated before the end of policy term. The Life insurer is using a different set of S.V. factors depending on the original term of policy, duration elapsed and the age of the member etc. Whereas the surrender value is equal to 20% of Single premium as per approved File and Use. The insurer had neither filed the revision in the Surrender Values, nor produced any documentary evidence as to approval of the surrender values by the Appointed Actuary.

All a) to e) are in violation of File and Use Guidelines b) Also violation of Clause 6 of Annexure II of Corporate Governance Guidelines IRDA/F&A/CIR/025/2009-10 dated 05/08/2009.

c) Also in violation of Section 64VB of Insurance Act, 1938 and Circular No. 064/IRDA/ACTL/March – 2008 dated 18.03.2008.

Submission by the Life Insurer

a) *The Company would like to submit that by paying the surrender value rather than effecting non-forfeiture option, the company's intention was to act in the policyholders' interest as the Company considered that the sum assured bought by the cash surrender value would have been too low to be meaningful as a life cover. The company made this decision on the fact that a reduced paid up policy does not participate in future bonuses and so the sum assured offered to the policyholder would not increase further during the life time and hence will not provide any meaningful savings component either. Considering time value of money, the customer may probably be better off with taking the cash surrender value. The customers were still having the option to reinstate the policy if they wished to, instead keep the policy in force and such requests from the customers were duly honoured when received. The company has not gained any financial benefits from such refunds as the surrender surplus (if any) would have accrued to the participating fund itself and not to the shareholders. Nevertheless, with effect from September, 2014, the company has carried out the necessary modifications and the policies now enter the non-forfeiture option as per the File and Use of the products.*

b)

i) As per Company's understanding, circular referred herein mentioned only non-fund based products, hence as per company's interpretation of point No. 10 and 11 of the Circular did not issue any new policy under its fund based product but continued to enrol new members to the existing policies. However, the company admits that it did not read on implied purport or direction in clarification 9 of the said circular, as the Authority did, and that its interpretation was based on the express reading of point No. 10 of the circular, which lead to it to conclude that there was no clear cut instructions with regard to fund based products.

ii) The company made an oversight of understanding by the Company in offering the same beyond approved limits. As per company's understanding, File and Use was to apply rates and terms applicable to prevailing group term product at the time of policy issuance as far as death cover is concerned. In 2008, the company filed the new group term Max Super Life (UIN 104N048V01). The group policy referred was issued in December, 2011 and therefore Maximum sum assured and Free Cover Limited allowed were as per this product. As per the approval there is no limit on the Maximum Sum assured and Free cover limit is dependent on the size of the Group and Average Sum assured. However, the same is offered as per the customer choice and without any impact on the fund performance.

iii) The policy administration charges though initially collected more than what was mentioned in the File and Use, it was adjusted towards future administration charges of succeeding year within the limit of administration charges for two years. Documentary evidence in support of submission is also submitted. Further this issue did involve cancellation of units and the Authority is correct in mentioning that there would have been a slight impact to the policy holder through the movement in NAV over the two year period, even though the company compensated for the excess charges by not cancelling units in the second year. The company would like to mention that the net impact to the policy holder over the two year period January, 2011 to December, 2012 was assessed and the events of excess charging in year 1 and subsequent compensation in year 2 led to the number of units being lower by 141 as at December, 2012 leading to fund value being lower by Rs.2,300 than it would have been had the charges been capped to Rs.50,000 each year. Rs.2,300 represent 0.001% of the total fund value of Rs.20.1 Crore as at December, 2012 and hence the impact is negligible. The Company would like to submit that it will refund Rs.2,300 along with interest to the policyholder since December, 2012. Further, the company has moved from administering group products on the MS Excel platform and adopted a policy administration system Group Asia wherein automated checks have been put in place that prevent instances of charges not in line with the approved rates.

iv) As submitted in the previous paragraph, since August, 2013 all policies are issued in a robust administration system (Group Asia) and all charges mentioned in the File and Use are deducted through the system only. The system has been performing efficiently and no instances of breach as noted by the Authority have been reported in the last several years.

c)

i) Pricing of the scheme referred herein was based on the actual mortality experience of the scheme which was in line with the file and use. The scheme was however, inadvertently not included in the report filed with the Authority as per the provisions of the Circular 064/IRDA/ACTL/MARCH-2008 dated 18/03/2008.

ii) The company allowed sum assured of less than Rs.5,000 in respect of a few lives, as the sum assured under this scheme was linked to the loan amount and loan in respect of such lives was less than Rs.5,000.

iii) The master policyholder, was operating from rural and backward areas wherein activities like collection of premium from all its members spread over these areas, recording the data and then remitting the premiums to the Company takes considerable time. In view of the practical administrative challenges faced by the master policyholder and keeping in mind members' interests, the Company had accommodated this policyholder. Further, the Company would like to confirm that Master policyholder remitted an amount of Rs 2,500,000/- with the Company in July 2009 to cater to the operational challenges in premium remittances. Further to confirm that, at present there are no MFI schemes where there is a delay in remitting premium with Max life. This is to confirm that the Company has not renewed the group policy with referred master policyholder since Aug'2014 and no members are being enrolled under the scheme at present.

d) Provisions pertaining to loan against policies contain an omnibus clause which states that the amount of loan and rate of interest thereon will be in accordance with the terms in force from time to time. Further, at the time of loan application, the policyholder is provided the loan application form, wherein the customer is informed that the loan will be subject to the processing charges and specific confirmation from the customer in this regard was taken as part of the loan form. Practice of collection of such charges stopped with effect from November, 2013.

e) The surrender value of 20% of single premium multiplied by the ratio of the term remaining to maturity to the original term to maturity is minimum / guaranteed surrender value is as per File and Use. The actual surrender values settled are higher than the minimum/guaranteed surrender values. The higher special surrender value paid is based on the pricing document of this product which was reviewed by the then Appointed Actuary of the Company. The higher special surrender value is also in the interest of the policy holder in this non-participating group product. As the higher surrender value was affordable, there was no negative impact on the company's financials as a result of paying Special Surrender Value. The Authority is requested to further note that because of the nature of the said product to be non-participating, no existing policyholder was adversely impacted due to payment of higher than filed surrender value to the surrendering policyholders. The company would further like to mention that under the new Group Credit Life Product, the company is making surrender payouts strictly in accordance with the File and Use. Further it is to certify that the Company has neither repudiated any claim for non-receipt of premium of any member covered under the group scheme nor has received any complaint from any member in this regard during the inspection period.

Decision

- a) The Life Insurer's submitted that since September, 2014, the policies acquiring fund value are being converted to reduced paid up. This indicates that there was no system prior to September, 2014 to ensure application of non-forfeiture conditions under the policies. The Life Insurer is hereby warned for the same. The submissions that the necessary modifications were effected in the system to ensure compliance of the same are taken on record. Further the Life Insurer is hereby advised to ensure compliance of File and Use guidelines scrupulously hereinafter.
- b)
- i) As per point no.9 of the referred circular, "all group fund based products which are compliant with this circular, can be offered by the insurers. Insurers are required to send a list of such products to the Authority on or before October 29, 2010". This clearly indicates that the circular also referred fund based products. Hence the Life Insurer's reply clearly indicates their casual approach in adhering to the circular. The Life Insurer is hereby warned for adopting a unilateral understanding. The Life Insurer shall be vigilant in adhering to the Circulars/Guidelines hereinafter.
- ii) Considering the submissions that, for allowing life cover in the group gratuity plan, rates and terms of the existing group term product will be applicable, no charges are being pressed. The Life Insurer is advised to ensure compliance of File and Use continuously.
- iii) The policy administration systems shall be ready in all respects before offering a product to the customers. The observation and submissions indicate that the systems were not 100% in place to ensure correct administration and servicing of the policies. The submissions made are taken on record. However, the Life Insurer is hereby warned for the same and advised to be vigilant hereinafter.
- iv) The submissions made are taken on record and hence no charges are being pressed.
- c) Considering the submissions made, no charges are being pressed. However, the Life Insurer is advised to ensure continuous compliance of Section 64VB of Insurance Act, 1938, File and Use Guidelines and circular dated 18/03/2008 referred herein.
- d) and e) Considering the submissions made, no charges are being pressed.

Charge No.4

Total amount received at the proposal stage was adjusted towards premium without honouring the policyholder's choice of "mode of premium" resulting into non-adherence to the "due dates of future premiums" mentioned in the policy schedule and giving wrong facts to the policyholders about adjustment of premiums. Various instances as below were observed in support of the observation.

- a) The customer paid an amount more than prescribed annual premium at the proposal stage, but instead of refunding the excess amount so paid was adjusted to next premium without calling for balance of premium at the renewal. i.e., annual premium

- mode policy renewed as monthly mode policy with the balance of proposal deposit lying
- b) The customer paid proposal deposit more than half year premium and less than yearly premium at the proposal stage. But the total amount is adjusted proportionately for 8 months in the first year.
 - c) The Customer paid proposal deposit more than the amount required for annual premium, but the Life Insurer adjusted the balance premium as Top-Up premium.

Violation of Section 64VB of Insurance Act, 1938, File and Use of respective products and Regulation 3(2) and Regulation 6(g) of IRDA (PPI) Regulations, 2002.

Submissions by the Life Insurer

Flexibility to the customer to deposit premium is offered as per convenience, i.e., via drop box, online, through agent and directly at our branches (GOs). At times, the amount deposited by the customer may vary from the premium amount. However, to avoid inconvenience to the customer, the amount is allocated to the policy and extend coverage period in proportion to the amount deposited and levy proportionate charges towards the policy. Company had put all its efforts to contact the customers multiple times to get the balance of premium or get the premium frequency changed. Company modified its processes with effect from June, 2015 to restrict the allocation of a differential amount of premium received from the customer, basis the mode chosen by him. Any incorrect amount received is refunded to the customer in accordance with the extant laws on refund of premium. System set-up for all new products from January, 2010 is in accordance with the extant laws on refund of premium. Further the Company submits that the captioned actions were taken under a customer centric approach and assumption of the risk was taken only on receipt of the premium by the company. Of the three cases cited, the company received mode change request from the customer in the first case but without complete documentation/ECS form etc. and in the other two cases, took a customer centric approach to minimize the customer impact.

Decision

The mode of premiums shall be in accordance with the terms and conditions of the policy and as opted by the policyholder. Adjustment of balance premium without consent of the policy holder is a violation of terms and conditions of the policy. Any excess amount of deposit at the time of taking out the policy shall be refunded to the proposer in accordance with extant laws on refund of premium. Although such instances were indicated in February, 2013 (during the course of onsite inspection), there was no corrective action in the policy administration system till June, 2015. This indicates the Life Insurer's casual approach towards adhering to the said regulatory requirements. Hence as per the powers vested on the Authority vide Section 102(b) of Insurance Act, 1938, **a penalty of Rs.5,00,000 (Rupees five lakhs only)** is imposed on the Life Insurer. Further the Life Insurer is advised to be vigilant hereinafter to ensure non-recurrence of such lapses.

Charge No.5

- a) Inordinate delay was observed in settlement of maturity claims. This is evidenced by the fact that, except for the first intimation about the maturity of the policy, the Life insurer is not

sending any further written communication. Also, delay in processing the claim papers received was observed.

b) Under non-employer-employee group death claims, as per terms & conditions, claimants were mandated to register death claims only through respective master policyholder. Also, no written communication is sent to either master policyholder or claimant in case of any pending documents or other requirements for settlement of death claims which caused huge delays in settlement of claims

Violation of Regulation 8 of IRDA (Protection of Policyholders' Interests) Regulations, 2002.

Submission by the Life Insurer

a) *The delays highlighted are as an outcome of non-submission of the claim requirements. In all cases maturity intimation was forwarded six months prior to the due date. The company is pro-actively reaching out to the customers to facilitate speedier claim settlement. For the period Jan. – Mar. 2013, 97% cases were settled within 15 days of document received date or maturity due date. If there is delay on the part of the company, penal interest is also being paid as mandated under IRDAI (Protection of Policyholders' Interests) Regulations, 2002. The company has paid interest in 248 cases amounting to Rs.1,75,088/- during observation period. The company has been very proactive to settle the claims at the earliest and has significantly strengthened the maturity information and communication process with effect from April, 2015. Customers are now being informed through various channels to enable them to furnish the requirements in advance for a timely disbursement of maturity payouts.*

b) *The gap between date of claim intimation and settlement is due to the nature of the claims reported under credit life schemes, which are early in nature and hence detailed investigation is warranted before arriving at a final decision. The requirements to settle these claims were fulfilled through the bank or facts of the case were ascertained through investigation reports. There were no requirements awaited from the nominee. Effective October, 2014 communication process has been strengthened whereby pending requirements on all claims are intimated to both master policyholder and to the nominee. In the highlighted cases, there were delays due to operational gaps and interest for delay was paid. Sample copy of a letter sent to customer with details of interest paid is also submitted for reference. Under all non employer-employee group claim, the last document received till settlement turnaround time for all the claims settled during the period April, 2013 to January, 2016 is within the stipulated regulatory limits.*

Decision

a) **Considering the submissions made, no charges are being pressed. However, the Life Insurer shall note that a maturity claim is a Company's initiated claim for which they are expected to process the settlement without any delay. Where a policy of life insurance is due for maturity, there is no case for the life insurer to wait till the receipt of the claim from a policyholder. Hence the Life insurer shall continuously ensure settlement of maturity claim on or before maturity date.**

b) Considering the submissions made, no charges are being pressed.

Charge No.6

When an existing agent who has solicited certain policies is no longer on the rolls of the Life Insurer, those policies were allocated to agents, this was also done when the Life insurer receives a written request from the policyholder for change of the existing agent. However, the commission on top-up premiums on such cases was paid to the servicing agent (newly allocated agent), though the writing agent was in force / eligible for Renewal Commission.

Violation of Section 40(1) of Insurance Act, 1938 and IRDA Circular No. IRDA/ Life/ GDL/ AGN/ 134/06/ 12 dated 13/06/2012.

Submission by the Life Insurer

Where a request is received from the policyholder to change an agent for future servicing due to deficiency in service provided by the original agent, the company had considered such requests positively in the interest of the policyholder. Further in order to provide best in class service to the policyholder, the company had to allocate a new servicing agent to service the customer for the remaining policy duration. In such instances, renewal commission continued to be paid to the writing agent if he was active with the Company or if he was terminated after becoming eligible for renewal commission. For top-ups, in recognition of the efforts of the servicing agent, the company did pay commission to servicing agents instead of the writing agents in certain cases. The total cumulative commission paid on top-ups was only around Rs.1.74 Lakhs and issue involved only 72 agents and 122 policies during the observation period. Allocation of new agents on customer requests stopped with effect from October, 2015. It is to undertake that in the event of any assignment of lapsed orphan policy to existing agents, the said circular will be complied forthwith. Further there was no breach of Section 40(1) of Insurance Act, 1938 since what was prescribed under the same was that no payment for soliciting or procuring insurance business would be made to anyone except an insurance agent or relevant intermediary and in this case payments were only made to insurance agents in the form of commission on top up premiums.

Decision

As per Authority's guidelines on servicing of orphan policies, dated 13/06/2012 only an orphan policy that is in lapsed condition on the date of allotment is eligible for allotment. Hence allotting in force policies to another agent to service the customer for the remaining term of the policy is not acceptable. Although such instance was brought to the notice of the Life Insurer during onsite inspection in February, 2013, they have stopped such practice only in October, 2015. Hence the Life Insurer is warned for the same. Further the Life Insurer is advised to ensure continuous compliance of the said circular hereinafter.

Charge No.7

Wherever payouts to agents were beyond 35% of FYP, recoveries are being made by the Life Insurer. However, it was noticed that the agents were remunerated in the name of other services such as Guest speaker charges, Customer Service Charges and Agent messaging

and Image Building charges. Agents were also remunerated in the name of training expenses. These payouts made were not considering for calculating the prescribed limits of commission.

Violation of Section 40 A (1) of Insurance Act, 1938 and Outsourcing Guidelines. Clause 8.5 of Outsourcing Guidelines, IRDA/LIFE/CIR/GLD/013/02/2011 dated 01/02/2011.

Submission by the Life Insurer

Payment in the nature of fees for appointing agents as guest speakers, for conducting customer surveys and payments made to agents under image building programmes were for the services rendered by the agents in their professional capacity. For rendering such professional services, appropriate agreements were entered with the selected agents to provide well-defined services to Max Life Insurance. Such initiatives for individual agents (as opposed to corporate agents and other organised intermediaries) were aligned with the Authority's own wish to consolidate the agency work force and allow for avenues of earning so that it becomes self sustainable. The company also learnt that the agents (as opposed to company's sales force) were better positioned to establish that connect with their fraternity and motivate and train them better.

The "Training Expenses" paid to the Agent Advisors were towards reimbursement of the conveyance and food expenses incurred by the Agents in coming to Max Life Insurance for attending the ongoing training sessions. In order to encourage the insurance agents to attend such training programs and in order that these beneficial trainings do not create a financial burden in the form of travelling expenses, etc., leading to poor attendance at these meetings, Max Life Insurance only reimbursed the expenses incurred by such agents such as conveyance, meals, etc. Further the activity does not come under the purview of outsourcing guidelines as defined in the Outsourcing Guidelines, 2011. The payouts were also not made for solicitation, hence Section 40A (1) may also not be applicable. The Company would also like to submit that these types of services were not only provided by agents but also by some other guest spears, from time to time. These other payouts to agents were duly report in annual 31(b) report. All payouts made to agents currently in line with the Board approved policy formulated in compliance with IRDAI Guidelines on appointment of agents.

Decision

The submissions made are taken on record. It is observed that the agreements were entered with agents to carry out the above activities. The Life Insurer shall note that the said agreements constitute outsourcing agreements as the individuals have been engaged outside their role as agents. It is to be noted that the insurers shall not enter into agreements with agents/corporate agents in terms of provisions of Outsourcing Guidelines. Further, as per Clause 13 of Outsourcing Guidelines, 2011, Insurers are advised to refer to IRDAI for further clarifications in case any ambiguity regarding the classification of the activities as core or non-core which are not specified in the said guidelines. Hence the Life Insurer unilaterally shall not decide whether a particular activity is outside or inside the scope of outsourcing activities mentioned in the Outsourcing Guidelines, 2011. As per the submissions made, it is construed that Life Insurer has not complied with Clause 13 referred herein. The Life Insurer is warned

for the same. The Life Insurer is advised to discontinue such agreements to ensure continuous compliance with the provisions of Outsourcing Guidelines.

Charge No.8

Several identified Agents were engaged as Agency Associates (AAs) for the purpose of recruiting, mentoring and supervising the Agents recruited by them. AAs are remunerated in the name of Recruitment & Development Credit, Business Support Bonus and Annual Production Bonus etc. The entire subheads under which the pay-outs to Agency Associates are dependent on the First Year commission earned by the individual advisors recruited or mapped to the AA. Though the Agency Associates are licensed individual agents of the Life insurer, the Life insurer had outsourced the job of recruiting, training and supervising the Agents.

Violation of Clause 8.5, Clause 11 and Clause 13 of Outsourcing Guidelines, IRDA/LIFE/CIR/GLD/013/02/2011 dated 01/02/2011.

Submission by the Life Insurer

Agency Associate agreement is independent of the agency agreement with the Company and the activities undertaken include recruitment, development coaching, soft skill building and mentoring of the agent under the Agency Associate. The activities of development are in addition to the training and development activities being carried for an agent under the regulations issued by the Authority. The company also wishes to confirm that the Agency Associate is not involved in solicitation of business brought in by the agent. In company's earnest belief, these services taken from the agents are not in the nature of "outsourced activity" which has also been substantiated by an external legal opinion taken in this regard. As per Company's understanding "Outsourcing" includes only the activities that would normally be undertaken by the Insurer on a continuing basis. As the activity mentioned above mainly includes training and development of the agents and this is in addition to the mandatory training activities to be carried out under the regulations issued by IRDAI, it may not be considered to be an activity normally expected to be carried on by Insurers in their normal course of business. Further the Company shared the details, rationale of this programme and all the expenses of which were duly reported under 31(B) reporting and the queries pertaining to the programme by IRDAI were duly responded way back in 2012.

Decision

As mentioned under the decision part of Charge No.7, as per Clause 13 of the Outsourcing guidelines, Insurers are advised to refer to IRDA for further clarification in case of any ambiguity regarding the classifications of the activities as core or non-core which are not specified in the guidelines. The Life Insurer should have consulted before concluding their understanding. Entering into outsourcing agreements with the agents and not reporting the same to the Authority is a clear violation of referred provisions of Outsourcing Guidelines, 2011. The Life Insurer is warned for the same. The Life Insurer is advised to ensure continuous compliance with the provisions of relevant extant Regulations/Guidelines hereinafter.

Charge No.9

- a) Inspection Report of Corporate Agents by the Life Insurer revealed that they are compliant with Section 64VB of Insurance Act, 1938 to the extent of 66% only.

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- b) Internal audit of the Life Insurer also commented on the delays in applying the NAV for the renewal premiums received (Ranging from more than 1 day to more than 4 days)

Violation of Sec. 64 VB (4) of the Insurance Act, 1938, Clause 6 of Annexure II of Corporate Governance Guidelines, Guidelines IRDA/F&A/cir/25/2009-10 dated 05th August, 2009, and also the Point No.10.6.1 of ULIP guidelines Circular No.32/IRDA/ACTL/Dec-2005 dated 21.12.2005.

Submission by the Life Insurer

- There was a process in place to ensure compliance to Section 64VB of Insurance Act, 1938
- There were certain operating limitations in the areas of operations of the Corporate Agent, hence there were some issues.
- Keeping in mind robustness of plausible controls and ensuring an optimum cost-efficient solution, a robust arrangement was put in place for transfer of customer premium monies within 24 hours to the Company
- It is to confirm that the Company has not received any complaints from the Customers on non-reflection of the amount paid by them as premium to the Corporate Agents on behalf of the Company.
- The arrangement is necessitated in the best interests of the policyholders, as the demographic distribution of the customers in the region of operation of Corporate agent, lacks banking infrastructure and the setting up of collection centres in the region would have resulted in high operational and set-up costs, which would not be in the ultimate interest of policyholders.
- The management has recognised 64VB compliance as a focus area and has progressively built robust control mechanisms including Audit Committee and Board oversight and internal audit investigations.
- As per the current practice followed by the Company with regard to collection of premium from customers (New Business & Renewal), collection details are duly recorded by the corporate agent and the information along with instruments are handed over to nearest Company branch within 24 hours. This process was formulated to ensure 100% compliance to provisions of section 64VB of the Insurance Act, 1938. Further, to ensure reconciliation of premium collection, the details are maintained by both corporate agent and the Company.
- It is also to be noted that on the NAV allocation process, as referred in the internal audit report, the management response to the audit report highlighted that adequate system changes have already been initiated and completed for correct NAV allocation as per the guidelines. Further, to make the process stronger, system changes at the corporate agent's end were also strengthened. Hence, when customer deposits payment in the corporate agent's branches, an entry is created in their system which automatically captures the payment received date and time. Corporate agent shares the Remittance Transmittal Form details along with the date and time to the Company. The Company uploads the collection details in the Company's system along with the date and time provided by corporate agents. All premium receipts can be generated through corporate agent's system only, which captures the collection date and time automatically. Further system generated reports are extracted with date and time and uploaded in the Company's system.

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- This NAV allocation process is adequately monitored by management periodically and it is ensured that the correct NAV is allocated to all the ULIP customers in accordance with the regulatory requirements.

Decision

Considering the submissions made, no charges are being pressed. However, the Life Insurer is advised to ensure continuous compliance by the Corporate Agents with regard to 64VB of Insurance Act, 1938 and to put in place all the necessary systems to ensure application of NAV as per the pertinent extant Regulations /Guidelines/ Circulars issued by the Authority.

Charge No.10

a) Extra payouts are made to individual agents, in the name of Fast Start Incentive, Agent Training program reimbursements, Product Bonus, Case Rate Bonus, Performance Linked bonus, Segment bonus etc. which are over and above the commission rates as per the respective product's File and Use.

b) Corporate Agents were remunerated with over and above the approved commission rates as per product "file & use" in the name of "additional bonus", "contest payout", "production bonus" etc.

c) Corporate Agents were remunerated in the name of contests regularly, where the payouts were made as a stated percentage of the First Year Premiums.

Violation of Section 40A (1) of Insurance Act, 1938 and File and Use Guidelines of respective product.

Submission by the Life Insurer

a) The Company administers commission payment basis the File and Use documents filed with the Authority. The commission rate set-ups are administered as below-

-commissions within F&U limits

-Payments in nature of bonus including segment and performance linked bonus etc. are within the overall sales related expense.

Authority may kindly note that payouts made specifically under the heads "performance linked bonus" and "segment bonus" though directly a multiplier of first year commissions earned by the agents are subject to statutory limits under Section 40A of Insurance Act, 1938. The same is also communicated to the agents under various circulars and schedules issued to them from time to time. These other payouts are paid to drive certain behaviours like productivity, persistency, right selling, need based selling based on customer profiling, drive product mix towards long-term saving and protection etc. These payments are reported as part of "other payments" under annual 31B reporting. The company has system built controls to monitor the 40A limits of commission and remuneration.

b) The Company wish to highlight that all the payouts to Corporate Agents were within the statutory limits laid down under Section 40A of the Insurance Act, 1938. All the payouts in relation to bonus commissions as a percentage of First year commission or additional commissions or additional bonuses were to be paid to such corporate agents subject to the

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statutory limits laid down under Section 40A of the Insurance Act, 1938. This condition was also made part of corporate agency agreements made with the referred corporate agents.

The Authority may please note that the base commission to be paid to the corporate agents were agreed to be paid within the limits specified under the file and use of the products. However, to earn bonus commissions, the corporate agents were required to achieve certain targets and were paid as a percentage of the first year commissions subject to the statutory limits under Section 40A of the Insurance Act, 1938.

The Company's systems also monitor all the payouts in such a manner that at no point in time any commission including bonus or additional commissions paid to the corporate agents, as mentioned above, exceeded the statutory limits under Section 40A of Insurance Act, 1938.

c) While reiterating the submissions made under b) above, the Company confirms that at no point of time any commission payouts in addition to bonus commission or additional commissions exceeded the statutory limits stated under Section 40A of the Insurance Act, 1938.

Further to the submissions made in a), b) and c) it is to submit that the Company has been continuously compliant with Ratio of expenses of management as per Rule 17D of Insurance Rules, 1939 (2011-12 93.7%, 2012-13 92.8%, 2013-14 88.14%% and 2014-15 84.65% and 2015-16 81.87%).

Decision

It shall be noted that the payouts made referred herein forms part of commission as they were made in connection with solicitation and procurement of the insurance business. All such payouts made including base commission payouts, shall be within prescribed limits of commission rates mentioned under respective products' File and Use which are subject to limits provided under Section 40A of Insurance Act, 1938. The Life Insurer is hereby warned for breaching the limits of commission scales mentioned under File and Use. Further the Life Insurer is advised to discontinue the approach and ensure compliance to the commission rates mentioned under respective products' File and Use while making such payouts.

Charge No.11

Insurance Brokers were remunerated in the name of "contests", the payouts of which are above the prescribed brokerage. For instance, the contest floated a Broker allowing additional brokerage of 2% of the Collected Premium. The Life Insurer also made payouts to related party of a Broker under the guise of an agreement.

Violation of Regulation 19 of IRDA (Insurance Brokers) Regulations, 2002 and Violation of Clause 8.4 of Outsourcing Guidelines, No. IRDA/ LIFE/ CIR/GLD/ 013/02/2011 dated 01.02.2011.

Submission by the Life Insurer

The Company hereby submits that the payment related to contest is forming part of the total remuneration and total amount of remuneration including brokerage and the contest is within the overall limits as per Regulation 19 of IRDA (Insurance Brokers) Regulations, 2002.



The Company had entered into agreement with the service provider to avail services of distribution of pamphlets and brochures and other advertising materials. As per the understanding of the company of the Related party definition, at the time of the said service provider was not a related party and was an independent third party (as defined under Companies Act, 1956) of the referred insurance broker. Services from the said service provider have been discontinued with effect from December, 2014. Due diligence process for selecting the entity and Memorandum of Association of the entity also submitted. Further the company engaged with the Authority in 2014-15 to review all outsourcing contracts with related party of distributors and in that context, eliminated all such relationships under the Authority's guidance.

Decision

Submission with regard to agreement with related party of the Broker is considered and hence no charges are being pressed. However, with regard to contest to Broker, the Life Insurer by floating contests, encouraged the Broker to sell the Company's products to the prospective customers which may not be at their best interests. Hence the Life Insurer was instrumental in the Broker's violating point 3(e) Schedule III of Regulation 21 of IRDA (Insurance Brokers) Regulations, 2002 (at the point of time) and also encouraged the Broker to violate Regulation 3(3) of IRDA (Protection of Policyholders' Interests) Regulations, 2002. Hence as per the powers vested on the Authority, vide Section 102(b) of Insurance Act, 1938 levies a penalty of Rs.5,00,000/- (Rupees Five Lakhs only) on the Life Insurer. Further, the Life Insurer is hereby directed to discontinue such practices hereinafter and act in a manner that protects the best interests of the policyholders/prospective customers.

Charge No.12

Huge number of policies was sourced by two top Corporate Agents across various places with considerably low number of Specified persons. The Corporate Agents' addresses provided by the Life Insurer indicate that they are the locations of their promoter companies. It was noticed from the proposals submitted by a Corporate Agents that a rubber stamp indicating the Agent Code Number is appearing on the top of the proposal form containing various code numbers. In view of huge number of proposals logged in at a few locations of the above said Corporate Agents, it was not ensured whether the Specified Persons were soliciting the insurance business.

Violation of Regulation 9(2) (ii) (a) of IRDA (Licensing of Corporate Agents) Regulations, 2002 IRDA Circular No. IRDA/CIR/010/2003 dated 27.03.2003.

Submission by the Life Insurer

As part of annual corporate agent inspection, the company has been carrying out the review of both the referred corporate agents. As part of such reviews, the Company has determined that solicitation was done only through a specified person and the proposal forms were executed by the specified person (SP) only. The report of annual corporate agent inspection carried out has also been filed with the Authority, in this regard. As part of the enhanced governance structure, the company constantly engage with the Corporate Agents to discuss and make them aware of various nuances of key regulatory provisions. This also includes compliance to the Regulatory requirement of sourcing through duly

certified licensed specified person. The current data indicating the ratio of the number of SPs associated vis a vis the issued policies under the instant corporate agents is submitted (FY14-15 Avg. 9 policies per SP per month, Avg.13 policies per SP per month and 15-16 Avg 0.5 policies per SP per month and Avg.9.62 policies per SP per month). Further the purpose of capturing the distributor number (rubber stamp referred above) on the proposal papers is to facilitate data analysis to help develop marketing and cross-sell strategies for procuring further business. A certification is also submitted certifying that the company had ensured that the business referred herein was procured by the Corporate agent through licenses specified persons only and all proposals sourced by Corporate agents are signed by licensed specified persons.

Decision

The limited number of specified persons or qualified persons compared to the large number of places of new business procured gives scope to infer that significant part of the business might have been solicited through unlicensed persons. However, based on the submissions and certifications **no charges are being pressed**. The Life Insurer is hereby directed to ensure continuous compliance of Regulation 14 of IRDAI (Registration of Corporate Agents) Regulations, 2015 and other relevant regulatory prescriptions hereinafter.

Charge No.13

On examination of PROPHET codes, it was observed that the valuation formula converted the absolute bonus amounts into an addition to the basic sum assured through some Single Premium conversion mechanism depending on the policyholders' option. As a result the valuation process did not explicitly value the projected future bonuses and current year bonus as well leading to numbers which were not consistent with the principles of valuation and reporting requirements. The conversion should have been treated as an option and accordingly should have been valued.

Violation of Schedule IIA, point 2(1) of IRDAI (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

Submission by the Life Insurer

The Company wants to assure the Authority that the statutory valuation as at March, 2012 was based on the actual bonus option chosen by the policyholder as at the valuation date. The PROPHET codes converted the future bonus into an addition to sum assured only for those policies which had chosen the 'paid up addition (PUA) sum assured' option. For those policyholders who had chosen the cash bonus option, the PROPHET code did not convert their future bonuses into additions to the sum assured. Hence, the valuation reflected the bonus option choice made by the policyholders as at the valuation date. Regarding the option in the hands of the policyholders to switch their bonus option in the future, it can be argued that the more onerous of the two options, may be considered for valuation purposes. However, an assumption of all the policyholders choosing 100% cash bonus option or 100% PUA option would mean an extra level of prudence in the reserves as this would deviate significantly from the current experience where the take up rate is more than 90% as PUA option. The methodology of option pricing theory used to calculate the cost of options also considers the take up rate of the option which is low (for the cash bonus option). Nevertheless, the cost of change in the bonus option in future (both from cash bonus option to PUA and PUA to cash bonus option) was explicitly calculated for March, 2015 valuation

using the actual company experience of the change in the bonus option by the policyholders. After taking into consideration the take up rates of switching, the bonus option and applying a margin for adverse deviation (MAD) of 50% reserves for cost of change in bonus option were calculated as Rs.7.8 Crores as at March, 2015.

Decision

Considering the submissions made, **no charges are being pressed**. However, the Life Insurer is advised to consider the option as per each individual policy and value the liability accordingly to be in compliant with IRDAI (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

Charge No.14

a) On examining Treatment of certain elements of reserves in current liabilities, it was noticed that

- Discontinuance Policy Fund (DPF) was treated as current liability in the financial statement as at 31st March, 2012 whereas the same should have been shown under policy liabilities in the balance sheet.
- Some amounts corresponding to even cases representing 'surrender already triggered' has been shown as current liability though they are in the nature of policy liability.

b) On examining the list of policies where the series of payments in the form of funding of premiums shall be the liability of the Life Insurer, under the non-unit reserves computation for linked contracts, it was observed that the funding of premiums have been effectively considered as an element of non-unit reserves cash flows leading to NIL reserves requirements. As the claims event has already triggered, the liability has been crystallized which must be reserved separately from the normal in-force valuation of the said contracts. This has an underestimation impact on the policy liabilities.

Violation of Schedule IIA point 2(2) of IRDAI (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

Submission by the Life Insurer

a) *The company would like to submit that the liability was included in the current liability and not as part of mathematical reserves. This however, only led to minor understatement of solvency margin by Rs.3.6 Lakhs and over statement of solvency ratio by 0.05% (533.97 vs. 533.92%) The Company would like to reiterate that it had mentioned that appropriate steps were taken to classify the discontinued policy fund from current liability to the mathematical reserves. As at March, 2014, the discontinued policy fund was re-classified as mathematical reserves and solvency margin based on the guaranteed solvency factor was calculated on the same. Extract of the Actuarial report and abstract as at March, 2014 is submitted for reference.*

The Company would like to submit that the amounts referred are payable to policyholder are primarily on account of "surrenders already triggered basis customer request" and "policies already lapsed due to non-fulfilment of contractual payment" obligation, which is in the

nature of liability attributable to a specific policy as on the date of balance sheet. Given these amounts are separately and clearly identifiable; these are shown as Current Liabilities and not Policyholder Liabilities. The Authority may also note that at each valuation date, this component of the current liability is monitored to ascertain whether the liabilities concerned are fully crystallised (and payable within the next 12 months) or whether they are contingent in nature. If they are contingent in nature, then they will be ensured to be held as mathematical reserves with solvency margin. It should be noted that as at March, 2015, this component of the current liability amounted to Rs.4.11 Crores and all liabilities were crystallised and fully identified. As at December, 2015, this figure has fallen to Rs.0.29 Crores, showing that the identified payments were made in nine months since the valuation date.

b) The Company would like to submit that for linked policies which have a waiver of premium benefit post death, the non-unit reserves should indeed take into account the liability of funding the premiums. The Authority may note that the reserves calculation for the linked policies where the funding of premium has been crystallized was done accurately as at March 2012. The reserves for such policies have been calculated by considering the future premiums (to be funded) as a liability to be paid by the Company. The PROPHET code appropriately projects the future unit fund by adding the funded premiums while the non-unit reserve does not take into account the premium cash flow as income. When the liability of the increased unit reserve is added, the funding of premium liability is adequately reserved for. It may also be noted that the non-unit reserves requirements are not NIL for the mentioned policies and the Company appropriately reserves for the funding of premium liability.

Decision

Considering the submissions made, no charges are being pressed. However, the Life Insurer is advised to ensure that the liabilities shall be correctly taken while estimating Required Solvency Margin.

Charge No.15

Several issues were observed in IT systems in the context of Actuarial Valuations. The following were some of the issues-

- a) System driven quantification and payment of surrender value to policyholders was found to be erroneous in respect of a number of products
- b) Few policies which were taken as in-force with fund value zero as at 31/03/2012 were found to be death cases as per policy administration system. The mortality charges are being deducted even when the fund value has become negative.
- c) A number of policies have been considered as in-force in actuarial valuation with fund value zero as at 31/03/2012. It was observed that the mortality charges are being deducted even after the fund value becomes zero which is in violation of 'File & Use' application. Further, if a minimum number of premiums are not paid, mortality charges should not have been deducted in the event of non-payment of premium.

Violation of Point 2 of Schedule IIA of IRDA (Assets Liabilities and Solvency Margin of Insurers) Regulations, 2000.

Submission by the Life Insurer

The Company has noted the data related complexities highlighted and would like to state that every effort is being made to improve the accuracy and completeness of the data that gets provided for the actuarial investigations. Every year efforts are made to build additional system control checks to monitor any outages so that corrective actions can be taken on the outages, if any. Further, a separate internal team has been created to identify outages or administration related issues, if any, and take appropriate action to fix these at the earliest. Further, given some of these issues may take time to be fixed, the Appointed Actuary has created additional global reserves as at March 2013.

With regard to point a), the Company provided the details of the number of impacted policies and the differential payouts made to the policyholders. The policy administration system now calculates the Reduced paid up (RUP) sum assured accurately and payments to policyholders on claims of an RPU policy are correctly affected through the administration system and does not require any excel calculations. With regard to b) and c) efforts were made to build system control checks to monitor any outages in the set up of the policy administration system regarding linked policies. As part of this exercise, automated logics were put in place to check and ensure adherence to the File and Use at all times. Further to this, the logic for termination in the administration system has been audited by external audit firm of repute recently and no outages have been reported. System integrated checks have been build to proactively identify any gaps (in the system and such policies are rectified on an immediate basis). Further with regard to c) the Company has checked all the policies referred therein and confirm that they have already been corrected and ensured that they show correct policy status.

Decision

The issues observed are considered to be serious errors in respect of operational issues, data control and validity, data accuracy and actuarial valuation, which in turn may lead to wrong estimation of mathematical reserve. Hence the Life insurer is **warned** for the same. The submissions made as above, in this regard are taken on record. The Life Insurer shall continuously endeavour that such issues in the valuations should not recur.

Charge No.16

It was noticed that the Life insurer was utilizing the services of all its General Offices, for imparting the pre-licensing training to the prospective agents, instead of using only accredited in-house training institutes. In all such cases, the training completion certificates are obtained from the Branch of the insurer which has got the accreditation for imparting training, without having the records of training etc.

Violation of Regulation 5(1) of IRDA (Licensing of Individual Agents) Regulations, 2000

Submissions by the Life Insurer

The training imparted in various general offices meets the requisite parameters in terms of infrastructure and content of training as per the regulatory requirements and has also brought to the attention of the Authority the number of issues and challenges with the current Accredited Training Institutes (ATIs). The Company has also made multiple written representations to the Authority on the poor infrastructure of external ATIs as non-viable alternatives for pre-license training, quality of training imparted etc. Such representations have been made the Authority since 2005-06. The Authority already dispensed with the requirement of training of prospective agents from such accredited institutes. The Authority further recognised the need of master and agent relationship and consequently, the whole process of agency license has been converted to the process of registration and employment by the insurers themselves in the recent Insurance Act/the IRDAI Regulations.

Decision

An applicant who is desirous to act as an agent he/she shall have to complete practical training from an approved institution. But it is observed from the observation and submissions that the Life Insurer had conducted trainings in General Offices (Branches) which are having no accreditation of the Authority. There was also no categorical approval from the Authority to the Life Insurer to utilise their offices for training. This indicates casual approach of the Life Insurer in adhering to the provisions of referred Regulations in this regard. However, as the Authority as on date, dispensed with the requirement of training of prospective agents from such accredited institutes, no charges are being pressed. The Life is advised to continuously vigilant in adhering to the Regulatory norms prescribed by the Authority from time to time.

Charge No.17

Class X qualification was accepted for granting license to individual agents even when the applicant, is from areas whose populations is more than 5000.

Violation of Reg. 4 of IRDA (Licensing of Individual Agents) Regulations, 2000.

Submission by the Life Insurer

The Authority may kindly note that the identified three candidates were licensed during the period December, 2011 to March, 2012. At the time of licensing of these agents, census data of 2001-10 was referred to establish the rural classification based on the address of the candidates. Addresses of the referred agents were indicated as rural basis, the census data 2001-10. The Company had further obtained certificate of residence attested by the village Authority in all the referred cases while licensing and as per the certificates, both the places of residence have a population of less than 5000. Basis guidance from the Authority during the onsite inspection on rural classification, Company has started using the census data of 2011 for classification of agents as rural with effect from June, 2013.

Decision

Considering the submissions, no charges are being pressed.


Summary:

In conclusion, as directed under the respective charges, the penalty of Rs.10,00,000 (Rupees Ten Lakhs only) shall be remitted by the Life Insurer by debiting shareholders' account 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. Lalit Kumar, F.A. & HoD (Enforcement) at the Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad-500 004.

Further

- a) The Life Insurer shall confirm compliance in respect of all the directions referred to in this Order, within 21 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 Life Insurer and also in the next immediate Board meeting and to provide a copy of the minutes of the discussion.
- c) If the Life Insurer 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
Dated: 28th June, 2016


(VR Iyer)
Member (F&I)

