

**Mr. Gaurang Shah**  
**Chief Executive officer**  
**Kotak Mahendra Old Mutual**  
**Life Insurance Co. Ltd.,**  
**9<sup>th</sup> Floor, Godrej Coliseum,**  
**Behind Everard Nagar, Sion (East),**  
**MUMBAI—400022**

**Date: 30/10/2008**

**Dear Sir,**

**Re: Inspection of Your Corporate Office 2007-08**

A comprehensive inspection of your Company was conducted by the IRDA Inspection team from 10/9/2007 to 21/9/2007. Based on the findings of the inspection team your observations were called for vide our letter dated 29/1/2008. You have submitted the first compliance vide your letter dated 27/2/2008. As the response submitted by you on some of the deviations was not found satisfactory, it was decided by the competent authority to issue a show cause to your company on the following issues vide our letter dated 9/6/2008.

1) Delay in settlement of claims

- Considerable delay in processing and settlement of the death claims.
- Even after receipt of all the requirements the cheques were not sent for want of bank account number.
- Delay is also observed in settlement of maturity claims.

These are in violation of the provisions of Protection of Policy holders' Interests regulations, 2002.

## 2) Deviation from group guidelines

- Claim cheques were paid to the master policy holder—Tobacco Board, SEWA etc.
- Deviations observed in Group Term Policy—Kaikobad and Orbit Mktg.
- KCCG plan offered to MMFSL Company has violated F&U provisions.

These are in violation of the provisions of Group Guidelines.

## 3) Violation of section 41 of the Ins.Act, 1938:

- Company is waiving the portion of total premium when the policy is accepted with extra.
- Surrender charges are waived partially or fully in certain cases.

These are in violation of the provisions of Sec 41 of Insurance Act, 1938.

## 4) Deviation from File and Use Procedure

- Company is paying higher brokerage (7.5%) than the approved rates (2%)
- Surrenders are allowed within three years against the F&U provisions.
- Surrender penalty is waived.
- MWP policy is surrendered against the provisions.

These are in violation of F&U provisions.

## 5) Deviation from Key-man insurance guidelines

- Company has sold other than term policies(Unit Linked Policies) in Key-man policies

These are in violation of Key-man Insurance Provisions.

Your response to the show cause notice and other observations have been received by the Authority vide your letter dated 28/6/2008.You have submitted that your company has revamped your claims processes and also

paid penal interest to all claims where there has been a delay on your part. You have also confirmed having taken rectification action in respect of group business. You have further submitted that some decisions had to be taken in the larger interest of policyholders which led to minor deviations.

The issues and deviations reported are very serious in nature. It is clear from the above that a proper system of checks and balances is lacking which could lead to serious complications in future if not controlled. Prompt and efficient servicing keeping in tune with the requirements of the Protection of Policyholder Regulations should be a priority area. Needless to add, the entire process of claim settlement needs to be revisited to ensure timely settlement of claims. As committed in your reply and in person during your meeting with the undersigned, it is imperative that a robust internal system is evolved that would enable you to exercise better control on your operations and simultaneously avoid deviations like the issues highlighted during the inspection.

The Authority expresses its displeasure with the way in which the whole operations are handled leading to deviations from the said provisions in various matters as explained above. However as this is the first comprehensive inspection of your company and also taking into consideration--- (a) the submission made by you in your letter dated 28/6/2008 (b) commitment given in the above letter of having initiated corrective action and assuring not to repeat such deviations by setting up proper systems and procedure, it has been decided not to invoke any of the penal provisions.

Yours Faithfully,

  
Member (Life)