



भारतीय बीमा विनियामक और विकास प्राधिकरण  
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Title: Order

Reference No.:

Date: 09/02/2011

M/s CENTRAL BANK OF INDIA

**ORDER  
OF  
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY**

**AGAINST**

**M/s CENTRAL BANK OF INDIA**

M/s Central Bank of India (herein after referred to as “the Corporate Agent” was granted a license bearing number 1115568 valid upto 24<sup>th</sup> March, 2012 to act as a Composite Corporate Agent of The New India Assurance Company Limited and Life Insurance Corporation of India., In terms thereof the Corporate Agent was subject to the terms and conditions of the license issued to it and was also required to abide by the relevant provisions of the Insurance Act, 1938 (Herein after referred to as ‘the IRDA Act, 1999), the Insurance Regulatory and Development Authority Act, 1999 (herein after referred to as ‘the IRDA Act, 1999), the Insurance Regulatory and Development Authority ( Licensing of Corporate Agents ) Regulations, 2002 (herein after referred to as ‘the Regulations’) and other directions issued by the Authority from time to time by way of circulars and/or guidelines particularly, Circular no.017/IRDA/Circular/CA Guidelines/2005 dated 14<sup>th</sup> July 2005 (herein after referred to as ‘the Guidelines’)

The Authority received information that the Corporate Agent while its agency was in force with New India Assurance Co, has publicized through news papers and on its website the RFP (Request for proposal) for Corporate Agency tie-up with Non-Life Insurers on 14.08.2009, inviting technical offers and commercial offers from General Insurance Companies. The Authority conducted onsite Inspection of above corporate agent from 12<sup>th</sup> March, 2010 to 13<sup>th</sup> March, 2010 to examine whether the activity of calling for technical and financial bids on premiums, commissions, extra payouts violates Regulations, Guidelines and Circulars referred above

The Authority has communicated findings of Inspection to the Corporate Agent on 19<sup>th</sup> April, 2010 and sought its comments. The Corporate Agent has responded and submitted comments on 5<sup>th</sup> May, 2010. The Authority has examined the reply and issued Show Cause notice to the Corporate Agent on 4<sup>th</sup> June, 2010. The Corporate Agent submitted reply in response to Show Cause notice on 23<sup>rd</sup> June, 2010. On examination of the reply submitted by the Corporate Agent, the following charges made against the Corporate Agent are found to have been established.

- 1. Non Compliance with Point No. 10 of “Guidelines on Licensing of Corporate Agents” issued by the Authority vide Cir. No. 017/IRDA/CIR/Corp.Agents, dt. 14.07.2005 – Secure the specific written approval of IRDA before it can enter into an agency relationship with another insurer.**

The Bank, while having a corporate agency relationship with the New India Assurance Company Ltd has entered into an MOU for corporate agency agreement and also a referral agreement with Cholamandalam MS General Insurance Company Ltd., which is in violation of the provisions of point no.10 of Guidelines.

The Bank contended that the said agreement is not a referral agreement, but it is an interim agreement entered on 31.12.2009 in terms of Regulation 10(vi)(ii) of Insurance Advertisements and Disclosure Regulations, 2000 and bank is paid compensation based on sales achieved out of information provided by the bank.

It is observed that point No. B of page 3 of this agreement empowered the insurer to contact customers of Central bank either directly or through its agent or through the **staff of Central Bank at branches** for soliciting and procuring insurance business. Further in terms of this agreement Bank has placed General Insurance Business with Cholamandalam MS General Insurance from January, 2010 onwards. It is noted that through above referred clause of above stated agreement, bank is directly involved in insurance solicitation and the compensation structure provided in the said agreement is equal to the maximum IRDA stipulated commission for each line of business. Hence it is clear that the said agreement is not an interim agreement as contended by the bank but it is in the nature of corporate agency agreement. The bank has also received remuneration under this agreement for referring such customers to Cholamandalam MS General Insurance Company Ltd. In view of this the contentions of the bank are not tenable and violation by the bank of Point No. 10 of "Guidelines on Licensing of Corporate Agents" issued by the Authority vide Cir. No. 017/ IRDA/ CIR/ Corp. Agents, dt. 14.07.2005 is established.

**2. Non Compliance with Point No. 21 of "Guidelines on Licensing of Corporate Agents" issued by the Authority vide Cir. No. 017/IRDA/CIR/Corp.Agents, dt. 14.07.2005 – Payment of amounts other than the permitted Agency Commission.**

**Non Compliance with the provisions of Cir. Ref. No. 011/IRDA/Brok-Comm/Aug-08, dated 25.08.2008 - Limits on payment of commission or brokerage on general insurance business with effect from 1st October 2008:**

It is evident that the Bank floated an RFP calling for technical and commercial bids for a corporate agency relationship and sought the commercial offer as per the format of Annexure – B, asking the insurers to offer their bids for extra payouts in the name of Marketing Support Expenses, Manpower Support Expenses and any other support, apart from the IRDA approved commissions, which is in violation of the provisions of Point no. 21 of the Guidelines and also the provisions of Cir Ref.No.011/IRDA/Brok-Comm/Aug-08, dated 25.08.2008. The Corporate Agent contended that they had not received any payment under this. Here, it is pertinent to mention that, the bank has contracted to receive payments over and above limits prescribed vide Sec.40A of the Insurance Act, 1938. Hence, by entering into this agreement, the bank has violated provisions of Sec.40A of the Insurance Act, 1938.

**3. Non-compliance with Point No. 4 of Circular. Ref.No031/IRDA/CA/CIR/SEP-09 dated 02.09.2009 on Transfer of Agency/Corporate Agency from one insurer to another.**

The Corporate Agent is well aware of the provisions of the above said circular. It is observed that the Corporate Agent has not made any efforts to intimate its policy holders about the arrangements made as required Under Point no.4 of the above highlighted Circular. Instead, the Bank recorded the fact of regulatory requirements in their internal noting and knowingly entered into above stated "agreement" with another insurer, which is in violation of the Point No. 4 of the said Circular.

Having regard to the facts of the case and the gravity of the violations committed by the Corporate Agent, the Authority in exercise of powers vested in it under section 102 of the Insurance act, 1938 passes the following Order.

“The Corporate Agent be imposed a penalty of Rs.500000.00 for violating provisions of Regulations, Guidelines, and circulars referred above and is hereby advised to remit the requisite amount within 7 days of receipt of this Order ”.

Further, the Corporate Agent is hereby directed not to seek or accept any extra payouts which are not provided for in the Insurance Act, 1938, Regulations made there under, Guidelines and Circulars issued in this regard from time to time.

**PLACE: HYDERABAD**

**DATE : 09.02.2011**

**J.HARINARAYAN**

**CHAIRMAN**