



बीमा विनियामक और विकास प्राधिकरण

INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY

IRDA/F&A/ORD/159/07/2014

**ORDER**

The Insurance Regulatory and Development Authority (herein after referred to as "the Authority") had issued a certificate of registration bearing No.128 to Shriram Life Insurance Co. Ltd. (herein after referred to as "the insurer") on 17<sup>th</sup> November 2005 to carry on business of Life Insurance in India in terms of Section 3 of the Insurance Act, 1938. The said certificate of registration was further renewed w.e.f. 01<sup>st</sup> April 2014. In terms thereof the insurer was subject to the terms and conditions of the certificate of registration and was also required to abide by the provisions of the Insurance Act, 1938 (herein after referred to as "the Act"), particularly Sec 6A of the Act, and other directions issued by the Authority from time to time by way of circulars and/or guidelines, particularly circular No. IRDA/F&A/CIR/DRSH/183/08/2011 dt. 11.08.2011 issued by the Authority as regards transfer of shares by the insurers. The insurer was also required to abide by the Circular No. IRDA/F&A/064/Jan/05 dt. 12.01.2005, Circular No. IRDA/CIR/F&A/073/Feb-05 dt. 22.02.2005 and Circular No. IRDA/F&I/CIR/100/06/2010 dt. 16.06.2010 as regards filing of its shareholding pattern in the prescribed format on quarterly basis with the Authority.

On examination of the quarterly shareholding pattern filed by the insurer, it was noticed by the Authority that there is a change in the shareholding pattern of the company for the quarter ending 30<sup>th</sup> September, 2012. The Authority had sought response (vide letter dt. 26.09.2012) from the insurer about change in shareholding of their foreign Joint Venture Partner, the Sanlam Group of South Africa. The Authority received the letter dt. 21.09.2012 of the insurer on 04.10.2012, with a request 'to take on record', the proposed disinvestment by the foreign Joint Venture partner. The Authority had further called for explanation about the action of the insurer vide letters dt. 25.10.2012, a copy which was also marked to the Indian promoter, M/s Shriram Capital Limited. Para B of the Circular IRDA/F&A/CIR/DRSH/183/08/2011 dt. 11.08.2011 issued by the Authority specifies that "no registration of shares of the insurer as specified under Sec 6A (4) of the Insurance Act, 1938 and/ or issue of capital which would result in change in the shareholding pattern of the

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insurance company ..... shall be made except with the prior written approval of the Authority”.

The Authority received the response of the Indian promoter company, Shriram Capital Limited dt. 02.11.2012 assuring that they would ensure that the necessary applications in the requisite formats shall be filed for approval of the Authority. Subsequently, vide letter dt. 16.11.2012, the Indian promoter Shriram Capital Limited, made a request to condone the inadvertent and unintended non-compliance that had occurred in the restructuring exercise. It was also contended that they were under the impression that it was just a realignment of interest and there was effectively no change of promoters. A request was also made to view the transaction not as 'transfer', but realignment / restructuring of holding by the Shriram Group.

The insurer later filed an application in Form A for registration of transfer of shares under Sec. 6A of the Insurance Act, 1938, under cover of letter dt. 12.12.2012. The Authority, on examination of the correspondence on record, issued a show-cause notice dt. 05.02.2013 to the insurer seeking response as to why regulatory action u/s 102 of the Insurance Act, 1938 should not be initiated by the Authority for the violations committed by them. The insurer sought time up to 15.04.2013 to respond to the show-cause notice, vide their letter dt. 27.02.2013. The Authority had granted time up to 05.04.2013 to the insurer to respond to the show-cause notice, vide letter dt. 19.03.2013.

The insurer responded vide letter dt. 11.04.2013. The response made references to their earlier letters dt. 02.11.2012 and 16.11.2012. It also sought to explain the background behind the transfer of shares and the resulting situation where Shriram Capital became a subsidiary of Shriram Financial Ventures (Chennai) Pvt. Limited. The response asked for condonation of the violation and requested for a personal hearing in the matter. The insurer was granted an opportunity for personal hearing vide letter dt. 21.05.2013. The representatives of the insurer, its Indian promoter and the officers of the Authority were present during the personal hearing. The insurer and its promoters made written and oral submissions before the Authority during the personal hearing, which was held on 24.06.2013.

The Authority examined the correspondence exchanged with the insurer, its promoters and the submissions made during the personal hearing. The following aspects emerged:



1. The insurer had assured the Authority vide letter dt. 02.11.2012 that the necessary applications in the required formats shall be filed for the approval of the Authority as required. However, the factual position was that the share transfer was already done by the insurer.

2. The submissions made by the insurer/ its promoter vide letter dt. 16.11.2012 for condonation of inadvertent or unintended violation and that of viewing it as realignment and not 'transfer' could not be accepted. The insurer, on an earlier occasion, vide letter dt. 26.11.2008 had applied for prior approval of the Authority to realign 4% shareholding of Shriram City Union Finance Limited to Shriram Capital Limited (within the group). The Authority had, after due-diligence, granted approval of the same, vide its letter dt. 19.03.2009.

This clearly indicates that the insurer and its promoters were well aware of their obligations under the law and did not comply with the same with full knowledge.

Considering the above, it is established that the insurer has violated Sec. 6A of the Insurance Act, 1938 read with circular No. IRDA/F&A/CIR/DRSH/183/08/2011 dt. 11.08.2011. issued by the Authority. Therefore, under powers vested by Sec. 102 (b) of the Insurance Act, 1938, the Authority imposes a penalty of Rs. 500,000/- (Rupees Five Lakhs Only) on the insurer for the violation.

The penalty amount shall be paid within a period of 15 days from the date of receipt of this order through a Crossed Demand Draft in favour of "Insurance Regulatory and Development Authority" payable at Hyderabad, which may be sent to Mr. R.K.Sharma, Deputy Director (F&A) at the Insurance Regulatory and Development Authority, 3<sup>rd</sup> Floor, Parishrama Bhavan, Basheer Bagh, Hyderabad – 500004, by debiting the Shareholders' Account.

**Place: Hyderabad**

**Date: 11.07.2014**

  
(R K Nair)  
Member F & I