



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

Title:Order

Reference No.:--

Date:12/08/2010

Personal hearing in the matter of M/s Bajaj Allianz Life Insurance Company Limited

Personal hearing in the matter of M/s Bajaj Allianz Life Insurance Company Limited

Wednesday, July 28th, 2010 at 11.30 AM

**The Insurance Regulatory & Development Authority, 3rd Floor, Parishram Bhavanam,
Basheer Bagh, Hyderabad**

In Chair: Sri J Hari Narayan, Chairman, IRDA

A personal hearing was given to M/s Bajaj Allianz Life Insurance Company on July 28, 2010. Sri Kamesh Goyal, CEO and his team were present. On behalf of IRDA, Sri G. Prabhakara, Member (Life), Sri A Giridhar, ED (Admn), Sri Kunnel Prem, CSO (Life) and Sri Satish Hegde, OSD were present.

The findings on the explanations offered to the issues raised in the Show Cause Notice dated 31st May, 2010 are as follows.

Issue No. 1:

The inspection team observed that, M/s Bajaj Allianz Life Insurance Company Ltd have entered into referral like agreements with Third Parties/ Individuals for providing the leads of potential customers of Insurance products and created a separate series under the above channels calling them "Lead Generators". It is also found and reported by the inspection team that for these services (providing the leads) company is paying commission/fees to these lead generators.

M/s Bajaj Allianz have not denied that they had appointed "Lead Generators" but they have taken the plea that they had entered into such arrangements under Proviso (ii) to Regulation 10(1)(iv) of the IRDA Insurance Advertisement Regulations, 2000. They further state that they had engaged 33,785 Lead Generators out of whom 33,685 have been converted into individual agents whereas 100 have been terminated/ transferred.

The Authority notes that there is indeed some ambiguity in the provisions and that subsequently these Regulations have been amended and a formal circular is being issued with regard to management of referral relationships. In the circumstances, this issue is not pressed.

However M/s Bajaj Allianz Life Insurance Company is directed to cancel all such arrangements with immediate effect and confirm their action to the authority.

Issue No. 2:

The Inspection Team has observed that M/s Bajaj Allianz had conducted promotional contests for their referral partners, namely Standard Chartered bank and Baroda Rajasthan Grameen Bank. The Company stated that the inspection of the company took place in June 2008 and that in February 2008, the IRDA had issued a circular prohibiting the organizing of contests etc with referral partners and that since that date, they have strictly observed the regulations of IRDA and no contests were held since then. In the circumstances, this issue is not pressed.

However M/s Bajaj Allianz Life Insurance Company is directed to abide by the directions issued by the authority from time to time.

Issue No. 3:

The inspection revealed that Bajaj Allianz had extended a certain rebate to the employees of Standard Chartered Bank for purchase of certain insurance products and that such rebate was in violation of F&U Guidelines and the instructions of the Authority in such matters.

M/s Bajaj Allianz confirms that these rebates were given because of a certain system error which was subsequently rectified and no discounts were allowed after such rectifications. Further, it was also pointed out that the insurer has recovered the rebates which were earlier extended.

The company is directed to pay a penalty of Rs.5 lakhs for the violation and cautioned to ensure that they adhere strictly to the guidelines in future

Issue No. 4:

In the show cause notice issued to M/s Bajaj it is informed that Company has settled surrender value and allowed partial withdrawals in violation of the Regulations and Guidelines.

M/s Bajaj Allianz admits the same and submits that out of 320 cases of surrender and 148 cases of partial withdrawal as identified during inspection by IRDA as being non-compliant, 301 surrender cases and 145 partial withdrawal cases were pertaining to old products where no restriction of 3 years lock-in period was applicable. They admit however that 19 cases of surrender and 3 cases of partial withdrawal were non-compliant with the instructions.

The company is directed to pay a penalty of Rs.5 lakhs for the violation and cautioned to ensure that they adhere strictly to the guidelines in future.

Issue No. 5:

The inspection revealed that they had offered policies with a sum assured which was less than what has been approved i.e., certain products were sold with a sum assured of less than Rs.10,000 which was the sum approved.

The Company points out that, such policies were sold inadvertently under Group Term Life Insurance Schemes mainly to provide cover to deprived sections of the society. They also point

out that the 13th month persistency of such policies shows that the persistency of policies with ticket size less than Rs.10,000 is similar to that of policies with ticket size more than Rs.10,000.

Considering that the intent of the Company was only to extend the benefit to weaker sections, this issue is not pressed.

Dated 12th August, 2010

Hyderabad

J. Harinarayan
Chairman