



IRDA/LIFE/ORD/ MISC/014/01/2012

**Final Order in the matter of M/s MetLife India Insurance Company Ltd**

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY**

**3<sup>rd</sup> Floor, Parishram Bhavan, Basheerbagh, Hyderabad**

**In Chair: Sri J Hari Narayan, Chairman, IRDA**

A personal hearing was given to M/s MetLife India Insurance Co Ltd (hereafter referred to as Insurer) on August 23, 2011 with regard to the Show Cause notice dt 1<sup>st</sup> June 2011 issued based on the complaint lodged by Mr Suresh Chukkapalli.

Mr Rajesh Relan, CEO and his team were present. On behalf of IRDA, Mr Kunnel Prem –CSO(Life); Mrs Yegnapriya Bharat-JD(CAD), Mr V Jayanth Kumar-JD(Life), Mr DVS Ramesh-DD(Life) and Mr TV Rao-DD(CAD) were present.

The findings on the explanations offered by the Insurer to the issues raised in the said Show Cause Notice are as follows:

**Issue:**

A complaint lodged by Mr Suresh Chukkapalli was received by IRDA regarding non receipt of Policy even after a lapse of 11 months, which was forwarded to the Insurer to resolve the matter. The complainant stated that he applied for a policy of life insurance with the Insurer on 30<sup>th</sup> March 2007 by paying premium for which no response is received. From the submissions of the Insurer it is noticed that it postponed the risk for a period of one year, but communicated the same to the applicant vide their letter dt 2<sup>nd</sup> June 2007 along with refund of proposal deposit, after a gap of 28 days from the date of taking underwriting decision to postpone the proposal and about 62 days from date of proposal. On complainant not accepting the refund, the Insurer submits that it has again refunded the deposit on 10<sup>th</sup> March 2008, this time along with interest. It has come to the notice of the Authority that the Insurer again approached the complainant and canvassed for 2 proposals of life insurance on 22<sup>nd</sup> March 2010 and 31<sup>st</sup> March 2010. From the submissions of the Insurer it is observed that these proposals were declined on 14<sup>th</sup> May 2010 and the

proposal deposit amounts were refunded on 27<sup>th</sup> May 2010 after a gap of 13 days from the date of underwriting decision and about 60 days from the date of proposals.

In response to the above referred Show Cause Notice, the Insurer submitted that the decision to postpone the 1<sup>st</sup> proposal was communicated to the complainant in person and on complainant requesting for a review of its decision, the matter was referred to the Reinsurer, hence, no formal communication was issued to the complainant. Regarding the other two proposals, the Insurer submits that these cases were also referred to the Reinsurer for a review. The Insurer further submits that the refund cheques issued to the complainant were returned unaccepted and adds that it has done its best to accommodate the interests of the customer.

On the request of the Insurer, the Chairman, IRDA granted a personal hearing on 23<sup>rd</sup> August 2011.

The Life Insurer during the course of personal hearing submitted that the time taken to refund the proposal deposit was due to review of the underwriting decision on the request of the complainant and also to explore all the available avenues to offer any alternate insurance products. The Insurer also submitted that during the interregnum its officials made attempts to personally meet and apprise the complainant about the status of the proposals and background to postponing the life insurance coverage. The Insurer submits that it has effective systems and procedures in place for refunding the proposal deposits in time on declining/postponing the lives to be insured. For the period April 2011 to August 2011 the Insurer submits that in respect of 98% of declined cases, the proposal deposits were refunded within 3 days.

In order to protect the interests of the customers including the timely commencement of insurance coverage, IRDA has mandated vide Regulation 4(6) of IRDA (Protection of Policyholders' Interests) Regulations, 2002 that all proposals shall be processed by the Insurers with speed and efficiency and all the decisions thereof shall be communicated in writing within a reasonable period not exceeding 15 days from the date of receipt of proposals by the Insurer.

On examining the documents on record and submissions made by the Insurer in the complaint under reference, it is observed that the Insurer did not pay sufficient attention in promptly communicating the underwriting decision in writing as well as in refunding the proposal deposits collected from the complainant within the prescribed timelines. Grounds cited by the Insurer for the delay in refunding the proposal deposits and communicating in writing the underwriting decision which was

already taken, are not considered valid. The delays that have taken place are in violation of Regulation 4(6) of IRDA (Protection of Policyholders' Interests) Regulations, 2002.

**Decision:**

Having regard to the facts of the case, the IRDA is satisfied that there has been negligence on the part of the insurer and consequently imposes a penalty of Rs. 2 (Two) lakhs under Section 102(b) of the Insurance Act, 1938.

The penalty amount of Rs 2 lakhs (Rupees Two Lakhs only) shall be paid within a period of 15 days from the date of receipt of this Order through a crossed demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may be sent to Shri Kunnel Prem, C S O (Life) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad 500 004.

Dated: 5<sup>th</sup> January, 2012

Hyderabad

  
(J. Hari Narayan)  
Chairman