



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

IRDA/LIFE/ORD/MISC/242/11/2014

**FINAL ORDER in the matter of
M/s. Sahara India Life Insurance Company Ltd.**

Based on the Reply to the Show Cause Notice dated August 28, 2014 and Submissions made during the Personal Hearing Chaired by Sri T.S. Vijayan, Chairman- IRDA on 15th October, 2014 at the Office of Insurance Regulatory and Development Authority, 3rd Floor, Parishram Bhavan, Basheer Bagh, Hyderabad 500004.

On examination of the Annual Business Returns filed by M/s. Sahara India Life Insurance Company Limited (hereinafter referred to as "the Life Insurer") for the period ending 31st March, 2014, it was noticed by the Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") that the Life Insurer did not fulfil the obligations towards Social Sector as specified in the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002 (hereinafter referred to as "Regulations"). The Life Insurer has covered 16,174 lives as against the mandatory requirement of covering 45,000 lives under social sector obligations in the financial year 2013-14 (the Life Insurer is in 09th year of its operations).

The Authority vide its letter dated 28th July, 2014 sought observations of the Life Insurer on the shortfall. Upon examining the submissions made by the Life Insurer vide its letter dated 14th August, 2014, the Authority has issued a Show Cause Notice vide letter No. IRDA/Life/2012-13/131 dated 28th August, 2014. The Insurer has submitted response to Show Cause Notice vide its letter dated 15th September, 2014. As requested therein, a Personal Hearing was accorded to the Life Insurer on 15th October, 2014.

Mr. Sanjay Agarwal, Chief Executive Officer and Mr. Parakh Tandon, Chief Compliance Officer were present in the personal hearing on behalf of the Life Insurer. On behalf of the Authority, Mr. V. Jayanth Kumar, Joint Director (Life), Mr. G.R. Surya Kumar, Deputy Director (Executive Assistant to Chairman) and Ms. B. Aruna, Assistant Director (Life) were present in the personal hearing.

The submissions made by the Life Insurer in the written reply to Show Cause Notice as also those made during the course of the personal hearing were taken into account.

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

Charge: The Life Insurer in the Financial Year 2013-14, in its 9th year of operations, has covered only 16,174 lives as against the mandatory requirement of covering 45,000 lives under Social Sector Obligations prescribed in the *Regulations*. There is a short fall of 28,826 lives. This is a violation of the provisions of Section 32B and 32C of the Insurance Act and Regulation 3 B (1) (b) (i) (III) of the *Regulations*.

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In response to the above, the Life Insurer has made the following submissions:

1. They did not have a product for the social sector during the peak period of financial year 2013-14 and a Micro Insurance product was approved in middle of March, 2014.
2. Out of total policies of 2013-14, they have covered 69.38% of policies under rural sector. Out of total lives procured during 2013-14 they have covered 39.47% under social sector.
3. Their business volume was significantly low in the FY 2013-14 and hence could not meet the social sector target.
4. They are targeting 1,00,000 lives under social sector in the current financial year.
5. They are taking steps to recruit Insurance Agents from the local areas and already recruited 17 Agents from the villages this year.
6. They have been meeting the social sector obligations in all financial years prior to financial year 2012-13.

With regard to the submission of the Life Insurer that there was no product for the social sector during the peak period of financial year 2013-14, it was clarified in the personal hearing that as per the data available with the Authority, there were 2 group products, one micro individual product till 01st January, 2014, one product for group social sector till 01st January, 2014 and one micro insurance individual product from 19th March, 2014 were available with the Life Insurer in the financial year 2013-14. It was further clarified that IRDA Circular No. IRDA/F&A/012/2005-06 dated 8th June 2005 envisages uniform spread of business towards the rural and social obligations in a given financial year.

Decision:

On considering the submissions of the Life Insurer, it is clarified that not having the products could not be the basis for exoneration of the violation and the Life Insurer is expected to have in place the business strategies for complying with business obligations towards the Social Sector of the Regulations. The Life Insurer shall note that compliance to Social Sector Obligations is a statutory mandate for all the Insurers and that even in the preceding financial year 2012-13 the Life Insurer did not meet the obligations for which an order Ref. No. IRDA/Life/ORD/Misc/166/07/2014 dated 23rd July, 2014 was issued imposing a penalty of Rs 5,00,000 (Rupees Five Lacs Only). The Life Insurer is directed to note that this is the second consecutive failure in complying with the Social Sector Obligations which shall entail the consequences under the provisions of Section 105 C of the Act.

However taking a note of the submissions of the Life Insurer that social sector lives comprise 39.47% of total new business in the FY 2013-14 and that the overall volume of the new business of the life insurer itself has reached 40,976 policies in FY 2013-14, under the powers vested in Section 105C of the Insurance Act, 1938, a penalty of Rs. 25,00,000/- (Rs. Twenty Five lakhs only) is imposed on the Life Insurer for non-compliance with the provisions of the Regulations in the second consecutive financial year. The Life Insurer is also directed to ensure compliance with the provisions of the Regulations hereafter.

The penalty amount of Rs. 25,00,000/- (Rs. Twenty Five lakhs only) shall be remitted by the Life Insurer by debiting the Shareholders' Account within a period of 15 days from the date of issuance of this Order through a crossed Demand Draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad. The Demand Draft may be sent to Mr. V. Jayanth Kumar, Joint Director (Life) at the Insurance Regulatory and Development Authority, 3rd Floor, Parishram Bhavan, Basheer Bagh, Hyderabad 500004. OR the penalty may be remitted through the NEFT as per details being intimated to the Insurer through a separate e-mail, under intimation to Joint Director (Life) on email id life@irda.gov.in.

Further, the Life Insurer is hereby directed to meet the unfulfilled part of the Social Sector obligation of the year 2013-14 in the year 2015-16 in addition to the mandatory obligation for the year 2015-16.

Place: Hyderabad

Date: 03rd November, 2014



**(T.S. Vijayan)
CHAIRMAN**