



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

ORDER

Ref: IRDA/ORD/F&A/ 034/SEP-07

10 September 2007

Shri B. Chakrabarti
Chairman Cum Managing Director
The New India Assurance Co. Ltd.
New India Assurance Bldg.,
87, M.G. Road, Fort,
Mumbai-400 001

Dear Sir,

Sub: Levy of Penalty under Section 105B of the Insurance Act, 1938

The Insurer was obliged under sections 32 B and 32 C of the Insurance Act, 1938 read with the IRDA (Obligations of Insurers to Rural and Social Sector) Regulations, 2002 to cover prescribed number of lives of its general insurance business under the social sector.

On review of the data submitted by the insurer with the Authority, on the number of lives covered in the Social Sector for the financial year 2006-07 it was observed that the insurer is short of its obligations in the said sector by 51,17,060 lives i.e., against an obligation of 1,11,40,487 lives, only 60,23,427 lives have been covered. The shortfall was also confirmed by the inspection reports on "Compliance of obligations towards Rural and Social Sector of general insurers" carried out by the Authority.

In response to the Authority's show cause notice No. 430/2/F&A/RSSO-NL/091/Jul/2007-08 dated 25th July 2007, the insurer had indicated that the number of lives covered on 31st March 2002 which was the base year to fix up the targets for the insurer had some of the insurance policies issued for the State of Andhra Pradesh which was later discontinued by the State Government in 2004. Similarly policy issued to cover farmers of Uttar Pradesh in 2005 were not renewed in the year 2006, resulting in huge shortfalls which could not be compensated in routine course. As the targets fixed for the insurer was based on thorough deliberations on the issue in the past and was arrived at with the consent of the insurer, the Authority does not accept the plea of the insurer that it had any reasonable cause for not fulfilling its obligation in the social sector.

The Authority hereby, holds the insurer responsible for failure to comply with its obligations towards the social sector in 2006-07 and levies a penalty of Rs. 5 lakh for not conforming with the provisions of the Section 32B and the Regulations framed thereunder. This amount shall be paid to the Authority within 15 days of the receipt of this Order. The insurer is also required to meet the unfulfilled part of the obligations of the year 2006-07 in two financial years 2007-08 and 2008-09.

C S Rao
10.9.07

(C. S. Rao)
Chairman