



**ORDER**

**IRDA/F&I/ORD/F&A/134/08/2010**

Mr. Amarnath Ananthanarayan  
Chief Executive Officer  
Bharti AXA General Insurance Company Ltd.  
RMZ Infinity, B – Tower, 2<sup>nd</sup> Floor,  
No.3, Old Madras Road,  
**Bangalore – 560 016**

**Levy of Penalty u/s 102 of the Insurance Act, 1938**

The Insurance Regulatory and Development Authority (hereinafter referred to as “the Authority”) issued a certificate of registration to you bearing number 139 on June 27, 2008 to carry on the business of general insurance in terms of Section 3 of the Insurance Act, 1938 (hereinafter referred to as “the Act”) which was subsequently renewed on March 10, 2010 for the financial year 2010-11. In terms thereof, you are subject to the terms and conditions of the certificate of registration and are also required to abide by the provisions of the Insurance Act, 1938, the IRDA Act, 1999, the provisions of the IRDA (Registration of Companies) Regulations, 2000 (hereinafter referred to as ‘the Registration Regulations’) and the circulars issued thereunder.

Notwithstanding the same, upon perusal of the return containing the equity shareholding pattern of your company for the quarter ended March 31, 2010, filed by you, with the Authority on April 13, 2010, it was inter alia noted as follows:

1. M/s Bharti Ventures Limited; one of the promoter entities holding 40% shareholding in your company which was owned to the extent of 99% by a partnership firm; M/s Bharti Enterprises was converted into M/s Bharti Enterprises (Holding) Private Limited with effect from January 08, 2010 as was confirmed by you to the Authority on May 04, 2010 and that M/s Bharti Enterprises (Holding) Private Limited holds 97.57% shares of M/s Bharti Ventures Limited.

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2. This change in the status of your promoter entity; M/s Bharti Enterprises from a partnership firm to a private limited company had conferred upon it the status of a subsidiary company in terms of Section 4 of the Companies Act, 1956. As the said restructuring was found to be in violation of the relevant provisions of Regulation 2(g)(i) of the Registration Regulations while the information related to these material changes in the ownership pattern of the promoter entity was not furnished by you forthwith to the Authority in terms of the requirement specified in Section 26 of the Insurance Act, 1938, a notice no.117.1/F&A/BAXGIC-Restr./38/June-10 dated June 11, 2010 was issued to your company advising you to show cause as to why appropriate action should not be initiated against you.

3. In response to the same, your company vide its letter dated July 04, 2010 confirmed that Bharti Enterprises (BE), a partnership firm, has indeed become a subsidiary company as per Section 4 of the Companies Act, 1956, on conversion to Bharti Enterprises (Holding) Private Limited (as a private limited company), as part of the restructuring process of the Bharti Group. Further, you have requested additional time to examine the options of restructuring Bharti Ventures Limited shareholding in the company in due compliance of the relevant regulatory provisions. However, no adequate reasons have been offered for the noted violations in two instances. Subsequently, during the course of the personal hearing held on August 16, 2010, the insurer submitted that the non-compliances were committed inadvertently and hence the same may be condoned.

4. I have noted that the details related to the ownership pattern of the promoter entity formed part of the particulars furnished by your company to the Authority at the time of seeking registration for carrying on the business of general insurance, which besides undergoing a substantial material change which is not in accordance with the regulatory requirement was not voluntarily intimated to the Authority despite a regulatory mandate to do so as mentioned above.

5. While the above discussed non-compliances have serious implications on the regulatory status of your company which will be considered separately, it is also relevant to note that the effect of non-compliances by any insurer of any regulatory mandate issued in the interest of the orderly growth of the insurance business is likely



to jeopardize the regulation and development of the business which in turn would impact the interests of the policyholders. The contention that it occurred on account of oversight cannot be a valid ground to condone such non-compliance which has serious implications on the overall shareholding structure of the company on the basis of which registration was granted to the insurer. Hence, sufficient cognizance for this limited issue alone has to be taken, else the entire purpose of mandating regulatory requirements as per the statute would become redundant.

6. Having regard to the facts of the case, bearing in mind that your company is a registered entity and on account of the same ought to have exercised greater professional care, skill and diligence which they failed to do, the Authority, is of the considered view that a suitable penalty be imposed upon your company for each instance of violation as discussed above.

7. Accordingly, on a judicious exercise of the powers conferred upon it under Section 14(1) of the Insurance Regulatory and Development Authority Act, 1999 read with Section 102 of Insurance Act, 1938, a penalty of ₹5 Lakhs for each instance of violation as discussed above, totaling ₹10 Lakh is imposed on M/s Bharti AXA General Insurance Company Limited.

8. The penalty amount shall be paid within a period of 15 days from the date of receipt of this order through a cross demand draft drawn in favour of 'Insurance Regulatory and Development Authority' and payable at Hyderabad which may be sent to Shri R. K. Sharma, Deputy Director (F&A) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad 500 004.

Place: Hyderabad  
Date: August 26, 2010



(R. K. Nair)

Member (F&I)