



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

IRDA/F&I/ORD/F&A/125/07/2015

Final Order in the matter of IndiaFirst Life Insurance Co. Ltd. regarding returns filed u/s 31B (2) for the financial year 2012-13

Based on the submissions to Show Cause Notice dated 28th April 2014 and personal hearing chaired by the then Member (F&I) Shri R.K. Nair on 18th June 2014 at the office of the Insurance Regulatory and Development Authority of India, 3rd Floor, Parishram Bhavan, Basheerbagh, Hyderabad.

The Insurance Regulatory and Development Authority of India (herein after referred to as "the Authority") issued a certificate of registration bearing No.143 to India First Life Insurance Co. Ltd (herein after referred to as "the insurer") on 5th November 2009 to carry on business of Life Insurance in India in terms of Section 3 of the Insurance Act, 1938. The said certificate of registration is further renewed on 1st April 2014. In terms thereof the insurer was subject to the terms and conditions of the certificate of registration and was also required to abide by the provisions of the Insurance Act, 1938 (herein after referred to as 'the Act'), the Insurance Regulatory and Development Authority Act, 1999, particularly the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 (herein after referred to as 'the Regulations') and other directions issued by the Authority from time to time by way of circulars and/or guidelines, particularly, Circular no.017/IRDA/Circular/CA Guidelines/2005 dated 14th July 2005 (herein after referred to as 'the Guidelines').

Charge:

On review of the data filed by the insurer with the Authority in accordance with IRDA circular no. IRDA/F&I/CIR/DATA/066/03/2012 dated 2nd March, 2012 for the financial year 2012-13, it was observed that the insurer has made payouts apart from commission to their Corporate Agent viz., Andhra Bank

- i. ₹ 4.09 crore towards Advertisement,
- ii. ₹ 0.33 crore towards sales promotion incentive

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परिश्रम भवन, तीसरा तल, बशीरबाग, हैदराबाद-500 004. भारत
ई : 91-040-2338 1100, फैक्स: 91-040-6682 3334
ई-मेल: irda@irda.gov.in वेब: www.irda.gov.in

Parisharam Bhavan, 3rd Floor, Basheer Bagh, Hyderabad-500 004. India.
Ph.: 91-040-2338 1100, Fax: 91-040-6682 3334
E-mail : irda@irda.gov.in Web.: www.irda.gov.in

The Authority sought an explanation vide letter and email dated 7th August 2013/30th August 2013 on the aforementioned matters. The insurer submitted its response vide letters dated 28th August, 2013/ 10th September 2013.

Based on review of the response of the insurer vide letters dated 16.09.2013, 10.09.2013 and 5.2.2014 the following are the notings/submissions:

1. Payment of ₹ 4.09 crore made to Andhra Bank was towards usage of space for advertisement of India First products across the branches of the bank.
2. The insurer has entered into agreement with the Bank.
3. The said advertisements displayed in the bank branches were standalone advertisements.
4. ₹ 59.78 Lakh non-financial incentive was made to the bank's staff directly as under

Sl. no.	Bifurcation	No. of Employees	Amount (Rs. in Lakh)
1	Specified Persons	163	5.84
2	Others	1539	53.94
Total		1702	59.78

Insurer has contended that the basis of the payments were to help bank staff increase their domain knowledge of life insurance and get enrolled as specified persons. The nominated bank employees based on their learning scores were nominated for additional training programs to help them improve their performance. The expenses incurred towards recognition, training and promotion programs are within the limits of sales related expenses mentioned in file and use documents of the products.

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The Authority examined the said reply letters of the insurer and issued Show Cause notice vide letter dated 28th April 2014. In response to the SCN, insurer replied vide letter dated 25th June 2014. A personal hearing as requested by the insurer was on 18th June 2014 with the then Member (F&I) Shri R.K. Nair in the Chair.

Insurer's submissions:

The Insurer submitted that as Andhra Bank was previously i.e. before having tie-up with India First as promoter was corporate agent of other insurer, there was a need to create awareness among the customers of the Andhra Bank and to establish customer connect and promote affinity with Andhra Bank as a parent.

An agreement was also entered into for the said arrangement of utilizing the space of the bank for advertising through Kiosks, placing brochures and placing suggestion box.

There is no correlation between the payment made towards the advertisements and the first year premium and therefore the same should not be considered as additional payment made over and above the prescribed limits.

Insurer also submitted that the payment of ₹ 4.09 crore were towards both co-branded and standalone advertisements. As regards the other payouts, a major part of expenses i.e. ₹ 53.94 Lakh was incurred on other than specified persons (other employees) of Andhra Bank.

Decision:

Insurer's submissions are not acceptable for the following reasons:

- i. Clause 21 of Corporate Agents Guidelines clearly prohibit insurer to pay the corporate agent or incur expenses towards them other than towards co-branding advertisements (apart from permitted agency commission).



- ii. Non-financial incentive given to the staff of the corporate agent is accounted as under the head commission which clearly show violation of Sec 40(1) of the Insurance Act, 1938.

Having regard to the facts of the case and the gravity of the violations committed by the insurer, the Authority in exercise of powers vested in it under section 102 of the Act, imposes a penalty of ₹ 5,00,000 (Rupees Five Lakh only) for the above violation.

Insurer is further directed to strictly adhere to the Act/Regulations/Guidelines /Circulars issued in this regard from time to time.

The penalty of ₹ 5 Lakh (Rupees five lakh) shall be remitted within a period of 15 days from the date of receipt of this Order by the Insurer through NEFT/ RTGS (details for which will be communicated separately). An intimation of remittance may be sent to Dr. (Ms) Mamta Suri, Sr. JD (F&A) at the Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavan, Basheer bagh, Hyderabad 500 004.

The penalty amount shall be debited to shareholder's account.

Place: Hyderabad
Date: 03 July 2015


(V. R. Iyer)
Member (F&I)
