



Ref: IRDA/ HLT / MISC /ORD/ 090 /04 /2015

FINAL ORDER

In the matter of M/s National Insurance Company Limited

This is based on two different replies to Notices to Show Cause, one vide letter Ref. No. ICL/HO/HIM/IRDA/2014-15 dated 31-07-2014, submitted in response to Authority Notice to Show Cause dated 24-07-2014 and other vide letter Ref. No. NICL/HO/HIM/IRDA/2014-15 dated 08-09-2014 which was submitted in response to Authority Notice to Show Cause dated 01-09-2014.

Two different Notices to Show Cause, (SCN) on observed deficiencies in the functioning of M/s. National Insurance Co. Ltd. (the insurer / NIC) were issued and in deference to the insurer's request to hear them on the charges for which they had also filed written submissions, the undersigned during the course of the personal hearing held on 05.01.2015 at 1130 hrs. at the office of the Insurance Regulatory and Development Authority of India, Hyderabad heard the submissions of the insurer represented by Mr. P K Mahapatra General Manager, and Mr. N Banchur — Deputy General Manager. On behalf of the Authority, Mr. M. Ramaprasad, Member (Non life), Smt. Yegnapriya Bharath, JD (Health), Mr. N M Behera, Deputy Director (Health), Smt. Jamuna Choudhury AD (Health Products-1) and Mr. K. Rajasimha, OSD (Health Products-2) were present in the personal hearing.

The submissions made by the Insurer in their written replies to the points mentioned in the SCN and also those made during the course of the personal hearing were taken into account.

The findings on the explanations offered by the General Insurer to the issues raised in the Show Cause Notice and the decisions thereon are as follows.

Charges as per Authority Notice to Show Cause during personal hearing:

1. Charge No. 1

The Insurer had issued "BOI National Swasthya Bima Policy" bearing No.261601/48/13/8500011437 to the Insured Mr. Santaram Walawalkar.

Mr. Santaram Walawalkar lodged complaints with the Authority and also sent RTI Applications alleging non-compliance of the product with the Health Insurance Regulations 2013. The matter was also taken up with the insurer raising issues with respect to, Contribution Provision, Renewability provision, Grace Period, Free Look Period, Claims falling under two policy period, Cumulative bonus etc.

The Insurer stated in their email dated 12.09.2013 addressed to Mr. Santaram Walawalkar, that "The revised Policy has been filed with the Authority and will be available for issuance after getting approval for the same. Unless we have the approval of IRDA, the policies cannot be issued with revised wordings."



Thus the Insurer has given incorrect information to the Insured in their reply to RTI with regard to the filing of product which was actually filed on certificate basis for approval on 18-09-2013.

This shows a casual approach on the part of the Insurer and a non professional manner of dealing with the RTI matters.

Reply of the insurer for Charge No. 1
The Insurer has accepted the charge.

2. Charge No. 2

As per policy wordings downloaded from website of the insurer on 29-04-2014, the Contribution Clause in "BOI National Swasthya Bima Policy", was not provided as per IRDA (Health Insurance) Regulation, 2013.

Violation of Regulation 5 (r) of IRDA (Health Insurance) Regulations, 2013.

Reply of the insurer for Charge No. 2

The insurer accepted that the product was not compliant with the concerned provisions of IRDA (Health Insurance) Regulations, 2013. It was confirmed by the insurer that now, they have complied with the said product as per provisions of regulations.

3. Charge No. 3

As per policy wordings for "BOI National Swasthya Bima Policy", the provision for lifelong renewal was not made available for the insured.

Violation of Reg. 5(e) of IRDA (Health Insurance) Regulations, 2013.

Reply of the insurer for Charge No. 3:

The insurer accepted that the product was not compliant with the concerned provisions of IRDA (Health Insurance) Regulations, 2013. It was confirmed by the insurer that now, they have complied with the said product as per provisions of regulations.

4. Charge No. 4

As per prospectus for "BOI National Swasthya Bima Policy", the Grace period of 15 days may be allowed in case of break in renewal caused due to circumstances beyond the physical control of the policyholder. However, the same provision of grace period for renewal was not available in the policy wordings.

Violation of Regulation 5(f) (iv) of Health Insurance Regulations 2013.

Reply of the insurer for Charge No. 4

The insurer accepted that the product was not compliant with the concerned provisions of IRDA (Health Insurance) Regulations, 2013. It was confirmed by the insurer that now, they have complied with the said product as per provisions of regulations.



5. Charge No. 5

As per policy wordings downloaded from website of the insurer on 29-04-2014, the provision for free look period in "BOI National Swasthya Bima Policy", was not provided as per IRDA (Health Insurance) Regulations, 2013.

Violation of Reg. 5 (g) of IRDA (Health Insurance) Regulations, 2013.

Reply of the insurer for Charge No. 5

The insurer accepted that the product was not compliant with the concerned provisions of IRDA (Health Insurance) Regulations, 2013. It was confirmed by the insurer that now, they have complied with the said product as per provisions of regulations.

6. Charge No. 6

As per policy wordings for "BOI National Swasthya Bima Policy" provision for "Claim falling in two policy years" was not specified in the policy. Further, in revised policy wordings also, the insurer has not provided for the same.

Violation of Reg. 8 (d) (iv) of IRDA (Health Insurance) Regulations, 2013.

Reply of the insurer for Charge No. 6

The insurer accepted that the product was not compliant with the concerned provisions of IRDA (Health Insurance) Regulations, 2013. It was confirmed by the insurer that now, they have complied with the said product as per provisions of regulations.

7. Charge No. 7

The Authority vide letter dated 30-09-2013 had requested to all Non-Life Insurance Companies and Stand Alone Health Insurance Companies to submit the list of products under three categories i.e.,

- (i) List of existing products cleared on certificate basis
- (ii) List of exiting products filed for withdrawal.
- (iii) List of existing products not filed under either of the category i.e., (i) & (ii).

As the Authority has not received required information, the reminder was sent to the insurer in this matter vide Authority letter dated 02-06-2014. The response of the insurer was received by the Authority only on 13-06-2014.



8. Charge No. 8

The Authority vide letter dated 04-03-2014 had requested to all Non-Life Insurance Companies and Stand Alone Health Insurance Companies to submit the list of products withdrawn and deemed withdrawn.

As the Authority has not received required information, the reminder was sent to the insurer in this matter vide Authority letter dated 23-04-2014 and 04-06-2014. The response of the insurer was received by the Authority only on 09-07-2014.

Thus, there was an inordinate delay by insurer, which is not a professional manner of dealing with the Regulatory compliance issues.

Violation of Reg.14 (2) (h) of IRDA Act, 1999.

Reply of the insurer for Charge No. 8

The insurer accepted the delay in submission of response for Authority letter dated 04-03-2014.


Decision (Charge Nos. 1 to 8)

It was accepted by the insurer that, the product in question was deficient in above noted important requirements vis-a-vis IRDA (Health Insurance) Regulations, 2013. In view of (i) various violations of the Regulations / guidelines / circulars referred to at points 1 to 6 above and (ii) for delay in submission of required information to the Authority as indicated at point No. 7 and 8 above, the Authority in exercise of powers vested under Section 102 of the Insurance Act, 1938, imposes a penalty of Rs.5,00,000/- (Rs. Five lakhs only) on M/s. National Insurance Company Ltd..

The penalty amount of Rs.5,00,000/- (Rs. Five Lakhs only), shall be remitted through NEFT/ RTGS (details for which will be communicated separately) within a period of 15 days from the date of receipt of this Order. An intimation of remittance shall be sent to Smt. Yegna Priya Bharath, Joint Director (Health), at the Insurance Regulatory and Development Authority of India, 3rd Floor, Parisrama Bhavanam, Basheerbagh, Hyderabad 500 004.

Place : Hyderabad

Date : 27-04-2015.


M. Ramaprasad
Member (Non-Life)

