



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

**Ref: IRDA/LIFE/ORD/MISC/029/001/2014**

**Final Order in the matter of**

**M/s.ICICI Prudential Life Insurance Company Limited**

**Based on Reply to Show Cause Notice Dated 07<sup>th</sup> October, 2013 and  
Submissions made during Personal Hearing on 17<sup>th</sup> December, 2013 at  
11:00 AM**

**Chaired by Sri Sudhin Roy Chowdhury, Member (Life), IRDA**

**At the office of Insurance Regulatory and Development Authority, 3<sup>rd</sup> Floor,  
Parishrama Bhavanam, Basheer Bagh, Hyderabad**

The Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s. ICICI Prudential Life Insurance Company Limited (hereinafter referred to as "the Life Insurer") during March / April, 2013 to examine the extant procedures in place to comply with the provisions of Anti Money Laundering Guidelines. The Authority forwarded the copy of the Inspection Report to the Life Insurer vide letter dated 3<sup>rd</sup> June, 2013 seeking comments of the Life Insurer on the same. On examining the submissions made by the Life Insurer vide letter dated 10<sup>th</sup> June, 2013, the Authority has issued a Show Cause Notice on 25<sup>th</sup> September, 2013 which was responded to by the Life Insurer vide letter dated 07<sup>th</sup> October, 2013. Based on the request of life insurer, a personal hearing was given to the Life Insurer on 17<sup>th</sup> December, 2013.

Mr Sandeep Bakshi, Chief Executive Officer along with his team was present in the hearing on behalf of the Life Insurer. On behalf of the Authority, Ms Mamta Suri, Joint Director (Sectoral Development Department), Mr V. Jayanth Kumar, Joint Director (Life), Mr DVS Ramesh, Deputy Director (Life-Coordination), Ms.B.Padmaja, Sr. Assistant Director (SDD-AML&RI) and Mr K.Sridhar Rao, Assistant Director (Life-Regulatory Actions) were present in the personal hearing.

The submissions made by the Insurer in their 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 dated 25<sup>th</sup> September, 2013 and the decisions are as follows.

**Charge 1** -As per Para 6.0 of the Life insurer's internal instruction manual, if a Customer is insisting on anonymity, reluctance to provide identifying information or providing minimal, seemingly fictitious information then Sales staff, advisors or branch operations staff should report the same @ report2mlpo@iciciprulife.com. However, it is noticed that certain cases were not reported to the designated mail id which indicate that the mechanism envisaged is not functioning as required. This is in Violation of 3(I) of AML Master Circular IRDA/F&I/CIR/AML/158/09/2010 dated 24/09/2010.

*It was submitted by the Life Insurer that instances referred in the charge are enquiries which were in the nature of preliminary enquiries and on which no transactions were carried out were found to have been not reported. It was further submitted that the life insurer has in place a detailed instruction manual for reporting the suspicious transactions, basis which suspicious transaction alerts are generated through various multiple touch points. To enable Manual Alerts from the frontline teams, specific awareness about attempted suspicious transactions is imparted through trainings. It was also submitted that the periodicity of training/awareness initiatives will be increased to reinforce the spirit of inquiry and due diligence in respect of potentially suspicious transactions.*

**Decision:** Despite the Life Insurer having systems, checks and manuals it is to state that the onus of ensuring the adherence to the procedures by their staff rests with the life insurer. The submissions that the cases referred in the charge are of preliminary enquiries in nature are not acceptable. The good system seemed to have been rendered ineffective due to lack of appreciation and seriousness on the part of frontline employees and salespersons involved. However it is taken into account that no transactions have actually taken place and the Life Insurer is hereby cautioned to sensitize all its Employees, Agents and Corporate Agents etc. on scrupulously following the provisions of their internal

**instruction manual and the requirements of AML compliance with respect to reporting of STRs.**

**Charge -2** -On examination of the summary details of the training activities in the AML compliance related areas undertaken by the insurer during FY 2012-13, it was observed that the insurer is not having schedule of training the specified persons of their corporate agents at the time of licensing or afterwards. This is in violation of chapter III of Circular IRDA/F&I/CIR/AML/158/09/2010 dated 24/09/2010.

*In response it was submitted by the Life Insurer that the training and awareness of specified persons of corporate agents is managed by on-ground relationship managers and that the regulatory training curriculum for specified persons covers the basic content on AML related aspects. This also ensures that all Specified Persons are made aware of the fundamental aspects of AML as part of their licensing process. It was also further submitted that during this financial year, the Company has further enhanced its training interventions for corporate agents, as part of its philosophy for continuous improvement.*

**Decision:** Taking into consideration the submissions, it is stated that absence of training on an ongoing basis as envisaged in the Anti Money Laundering Guidelines may potentially compromise the compliance to the Statutory AML norms Therefore the Life Insurer is hereby advised to put in place the systems to comply with the training requirements envisaged in the AML guidelines issued by the Authority.

**Charge – 3** -Internal audit report in respect of some of insurers' branch offices revealed the presence of tampered/forged document of id proof, address proof, income proof, etc. at some of the branches.. These revelations and subsequent action taken by the Insurer revealed ineffective internal controls. This is in violation of Clause 6 of Annexure II of Corporate Governance Guidelines, Guidelines IRDA/F&A/cir/25/2009-10 dated 05<sup>th</sup> August, 2009.

*It was submitted by the Life Insurer that AML was an area of Internal Audit during development of annual risk based audit plan. The issue of finding the tampered/forged documents were promptly and comprehensively highlighted to the management and also to the Board Audit Committee in conformity with the Clause 6 of Annexure II of Corporate Governance Guidelines. It was further submitted by the Life Insurer that the Life Insurer had considered these issues as*

*serious and had immediately initiated a series of corrective and disciplinary measures, including, strengthening the training and orientation of Sales and Operations teams at the branches, launching the awareness campaign across all branches and defining the ownership of drawers and documents at the branches.*

**Decision:** The presence of tampered/forged documents of id proof, address proof, income proof etc., as observed by the Internal Audit Department of the Life Insurer is an area of concern for possible money laundering. However, considering the submissions of the Life Insurer that they have taken the issue as an area of concern and that they have initiated a string of corrective and disciplinary measures to address the issue, the charges are not pressed. However, the Life Insurer is cautioned for this serious shortcoming noticed by its own internal audit department in its branches which bespeaks the need for closer monitoring of the branches and also directed to further strengthen its internal controls over operational procedures of its branches.

The Life Insurer is hereby directed to confirm the compliance in respect of the directions referred in this order within 15 days from the date of issuance of this order.

**Place: Hyderabad**

**Date: 20/01/2014**

  
(Sudhin Roy Chowdhury)

**Member (Life)**