



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

Ref: IRDAI/F&A/ORD/EMT/104/05/2016

Order

Expenses of Management (EoM) incurred in excess of the prescribed limits-
contravention of the provisions of Sec 40B of Insurance Act, 1938 read with Rule
17D of the Insurance Rules, 1939

Ref:

1. EoM Statements submitted to the Authority for the financial year 2014-15
2. IRDAI letter 446/11/F&A/EML/2014-15/110/2015-16 dated 18th November 2015
3. Insurer's reply letter reference SILICL/CS/DEC-15/44/65155 dated 16th December 2015.
4. IRDAI Show Cause Notice 446/11/EML/F&A/2014-15/215/2015-16 dated 28th March 2016
5. Insurer's reply letter reference SILICL/CS/APRIL-16/44/67135 dated 27th April 2016.
6. Personal Hearing held on 18th May, 2016

The Insurance Regulatory and Development Authority of India (herein after referred to as "the Authority") issued a certificate of registration bearing No.127 to Sahara India Life Insurance Co. Ltd. (herein after referred to as "the insurer") on 6th February 2004 to carry on business of Life Insurance in India in terms of Section 3 of the Insurance Act, 1938. In terms thereof the insurer is subject to the terms and conditions of the certificate of registration and is 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, and other directions issued by the Authority from time to time by way of circulars and/or guidelines.

Charge:

On review of the expenses of management (EoM) statements submitted by the insurer with the Authority for the financial year 2014-15, it was observed that the insurer was non-compliant with EoM limits prescribed under Section 40B of the Insurance Act, 1938 read with Rule 17D of the Insurance Rules, 1939 with EoM ratio of 135.89%

The Authority communicated the findings to the insurer vide letter dated 18th November 2015 and sought explanation thereof. The insurer submitted its response vide letter dated 16th December 2015. The Authority examined the reply of the insurer and issued Show Cause Notice vide letter dated 28th March 2016. The insurer submitted its reply to the Show Cause Notice vide letter dated 27th April 2016. As requested by the insurer, a personal hearing was given with Smt. V.R. Iyer Member (F&I) in the chair.

Insurer's submission:

The gist of submissions of the insurer as regards challenges faced by them were:

- i. Allowable Expenditure were exceeded unintentionally
- ii. Business was dependent on Single premium products
- iii. Low New Business Premium due to adverse market sentiments smaller product portfolio mainly comprising of single premium products
- iv. It was for the first time in 10 years of operations of the insurer that the expenditure has exceeded the limits.

During the personal hearing the insurer reiterated their submissions and explained the steps taken to improve the business performance. The Insurer requested the Authority to condone the non-compliance in the financial year 2014-15.

Decision:

The Authority, after considering various submissions of the insurer, is of the following view:

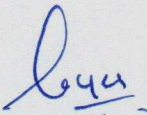
1. The Authority vide circular No. IRDAI/F&A/CIR/FA/059/03/2015 dated 31st March, 2015, advised all insurers to comply with the existing circulars and provisions of Rule 17D of the Insurance Rules, 1939 until further orders.
2. Based on the facts on record, Insurer is non-compliant with EoM limits as per provisions of section 40B of the Insurance Act, 1938 read with Rule 17D of the Insurance Rules, 1939 for the financial year 2014-15.
3. Owing to the fact that the non-compliance with the EoM limits has occurred for the first time in the ten years of its operations and considering the submissions of the insurer as regards steps being taken to improve upon business, in exercise of the

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powers conferred upon it under Section 14 of the IRDA Act, 1999 read with section 64K(2) of the Insurance Act, 1938, The Insurer is hereby warned of the contravention with the provisions of section 40B of the Insurance Act, 1938 and advised to bring the expenditure levels within the prescribed limits under Rule 17D of the Insurance Rules, 1939 by the end of financial year 2016-17.

4. The Insurer is further advised to note that any future occurrence of this nature resulting in non-compliance of the provisions of Insurance Act, 1938, the IRDA Act, 1999 and the Rules and Regulations issued thereunder, as also the various directions issued by the Authority shall be viewed seriously and visited with appropriate action by the Authority.
5. Insurer is hereby, directed to bring this warning letter to the Notice of their Board in its next meeting. A copy of note placed before the Board and the duly certified relevant extract of the Board Resolution thereon, shall be filed with the Authority.
6. The Insurer is further directed to strictly adhere to the Act, Regulations made there under, Guidelines and Circulars issued in this regard from time to time.

Place: Hyderabad
Date: May 25, 2016


(VR Iyer)
Member (F&I)