



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

**ORDER**

Ref : IRDA/F&A/ORD/DATA/148/07/2016

Date : 26<sup>th</sup> July, 2016

Mr. Tapan Singhel,  
Managing Director and Chief Executive Officer,  
Bajaj Allianz General Insurance Co. Ltd.,  
GE Plaza, Airport Road, Yerawada  
Pune - 411006.

**Levy of Penalty under Section 102 of the Insurance Act. 1938**

The Insurance Regulatory and Development Authority of India (herein after referred to as "the Authority") issued a certificate of registration bearing No. 113 to Bajaj Allianz General Insurance Co. Ltd. (herein after referred to as "the insurer") on 2<sup>nd</sup> May, 2001 to carry on the business of General Insurance in India in terms of Section 3 of the Insurance Act, 1938. 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, Guidelines No. 017/IRDA/Circular/CA Guidelines/2005 dated 14<sup>th</sup> July 2005 on Licensing of Corporate Agents (herein after referred to as "the Guidelines").

On review of the data filed by the insurer with the Authority in accordance with IRDA circular no. IRDA/FandI/CIR/DATA/066/03/2012 dated 2<sup>nd</sup> March, 2012 w.r. the financial year 2012-13 and 2013-14, it was observed that the insurer has made payouts towards Logo Sharing Charges and Infrastructure Sharing Charges of Rs. 30.73 crore and 25.09 crore for the year 2012-13 and 2013-14 respectively apart from the commission to various banks (corporate agents) in violation of Clause 21 of the Guidelines. The Authority communicated the

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findings to the insurer on 22.01.2015 and sought explanation thereof. The insurer submitted its response vide email dated 30.01.2015. The Authority examined the response of the insurer. The insurer contended in its response that the above mentioned payouts have been made as per the IRDAI circular no. IRDA/Cir/003/2003 dated 30.01.2003. However, it may be noted that the IRDAI circular no. IRDA/Cir/003/2003 dated 30.01.2003 governs the payouts on referrals and not to the bancassurance channel in the capacity of corporate agent. Moreover with the issuance of regulations on referral, the above referred circular is no longer in force.

The Show Cause notice was issued to the insurer vide letter dated 07.01.2016 and 25.02.2016 for the financial year 2013-14 and 2012-13 respectively. As both notices pertain to excess payouts for two different financial years, the Insurer requested for combined personal hearing which was allowed by the Authority. The insurer submitted as follows during the Personal Hearing held on 05.07.2016 at IRDAI, Hyderabad in response to the Show Cause notice –

**Infrastructure Charges:**

- Usage of Corporate Agents infrastructure for several pre and post sale of insurance policies – policy servicing, claims handling etc.
- Corporate Agents invest huge amount in infrastructure development and do not allow insurers to use it free of cost.

**Logo Charges:**

- Huge value created by Brands of reputed and established banks, which are also Corporate Agents.
- Brand association benefits the insurer way beyond business sourced from that Corporate Agent.

It may, however, be noted that the provisions of clause 21 of the Corporate Agency Guidelines, 2005 permits only for payment of agency commission not for payment of Infrastructure Charges and Logo Charges.

In view of the above, the Authority is of the considered view that Insurer has violated the provisions of clause 21 of the Guidelines read with Sec 40A of the Act by making such payouts during the financial years under reference.

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 Rs. 10 Lacs (Rs. 5 lacs for each of the years 2012-13 and 2013-14) for the above violations.

The Insurer is further directed to strictly adhere to the provisions of the Act, Regulations made there under, Guidelines and Circulars issued in this regard from time to time. The penalty amount shall be paid within a period of 15 days from the date of receipt of this order through a Crossed Demand Draft drawn in favor of "Insurance Regulatory and Development Authority of India" payable at Hyderabad, which may be sent to Mr. R K Sharma, Joint Director (F&A-NL) at the Insurance Regulatory and Development Authority of India, 3<sup>rd</sup> Floor, Parishrama Bhavan, Basheer Bagh, Hyderabad – 500004.

  
(V R Iyer)

 Member (F & I)

**Place: Hyderabad**

**Date: 26<sup>th</sup> July, 2016**