



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

Ref: IRDA/LIFE/ORD/MISC/01/01/2014

**Final Order in matter of
M/s Future Generali India Life Insurance Company Ltd.**

Based on Replies to Show Cause Notice Dated 09th October, 2013 and Submissions made in Personal Hearing on 03rd December, 2013 at 12.00 Noon at the office of Insurance Regulatory & Development Authority, 3rd Floor, Parishram Bhavanam, Basheerbagh, Hyderabad.

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

The Insurance Regulatory and Development Authority (hereinafter referred to as "the Authority") issued a Notice to Show Cause vide letter Ref: IRDA/LF/101/2012/001 dated 09th October, 2013 to M/s Future Generali India Life Insurance Company Ltd. (hereafter referred to as "FGLI") on filing the referral application and entering into the referral tie-up with M/s Zila Sahakari Bank Ltd, Ghaziabad (hereafter referred as 'Bank') which is not complying with the eligibility criteria as on date of filing the referral application by FGLI and on the non-disclosure of complete information to the Authority on the status of referral arrangement with the Bank.

The Authority issued above referred notice to show-cause which was responded to by FGLI vide reply dated Nil received on 28th October, 2013 at the office of the Authority. As requested by the FGLI, a personal hearing was given by Member (Life), IRDA on 03rd December, 2013.

Sri Gorakhnath Agarwal, Chief Executive Officer and Sri Madangopal Jalan, Sr. Vice President – Legal, Compliance & Company Secretary were present representing FGLI. On behalf of IRDA Sri V Jayanth Kumar, Joint Director (Life), Sri D V S Ramesh, Deputy Director (Life-Coordination), Smt Jyoti Bhagat, Assistant Director were present. The submissions of FGLI in their written replies to the charges levelled in the Show Cause Notice as also those made during the course of the personal hearing were taken into account and the decision is issued accordingly.

Issues:

1. FGLI sought approval of IRDA to appoint M/s. Zila Sahakari Bank Ltd., Ghaziabad, the Bank which is not conforming to Regulation (6) (g) of IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010 (hereafter referred to as Regulations) vide its referral application dated 30th May, 2011 which was approved by IRDA on 25th August, 2011 relying on the declarations submitted.

2. The Authority received referral application on 27th September, 2012 from another life insurer (*hereafter referred to as "second life insurer"*) seeking approval of the same Bank as a referral company to them.
3. Vide letter dated 03rd January, 2013 FGLI was asked to furnish the then prevailing status of the referral arrangement with the Bank. In response, FGLI vide letter FGLIC/137/IRDA/2012-13 dated 15th January, 2013 informed that the referral arrangement was '*in force*' and in continuation of the correspondence on the matter, vide e-mail dated 04th February, 2013 it was informed that the agreement with the said Bank '*is not in force at present*'. While vide e-mail dated 27th February, 2013 it was submitted by FGLI that the relationship with the bank was '*not conclusively terminated*', but '*the same was in inactive state*', but acknowledged the receipt of termination notice dated 01st August, 2012.
4. Based on the submissions of FGLI, the Authority vide letter dated 21st March, 2013 rejected the application filed by *Second Life Insurer* in terms of Regulation 6(1) (g) and Regulation (7) of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010.
5. It is noticed that there is substantial inconsistency / inaccuracy in the information submitted to the Authority on the status of the business relationship FGLI had with the Bank. However, from the copies forwarded by the Bank, it is noticed, that the Bank vide their letter Ref. No. 4395-96 dated 01st August, 2012 terminated the referral tie-up with FGLI.
6. In response to the clarifications sought from the Bank vide Authority's letter Ref: IRDA/LF/101/2012/001 dated 04th April, 2013, it was submitted by the Bank that they have issued one month's termination notice to FGLI vide their letter Ref. No. 2654-55 dated 08th June, 2012 and that after lapse of one month's notice period the referral arrangement was terminated vide above referred letter dated 01st August, 2012.
7. In response to the Show Cause Notice, FGLI submitted on 28th October, 2013 that it has in place procedures for carrying out due diligence on the referral bank before forwarding the application to IRDA for approval. It also submitted that a declaration from Bank was obtained basis which the referral application was forwarded to Authority for the approval and that it has relied on the documents and the written declaration made available by the Bank, therefore, the Bank is considered by them eligible as per Regulation (6) of the Regulations.
8. On the inconsistency in the information submitted to the Authority, FGLI contested that the information submitted at various points of time was in response to the clarifications sought by the Authority and therefore, no wrong / inconsistent information was submitted to the Authority.

9. On examining the matter it is considered that FGLI violated the provisions of :-
- a) **Regulation 11 (4) of IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010 by submission of inconsistent / wrong information and not disclosing complete and correct information on the status of referral arrangement.**

FGLI during the course of personal hearing on 3rd December 2013, acknowledged;

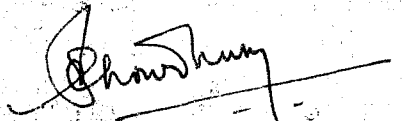
1. Forwarding inconsistent information/ Non-disclosure of correct information on the status of referral arrangement it had with M/s. Zila Sahakari Bank Limited, Ghaziabad.
2. That there was a procedural lapse while exercising the due diligence when forwarding the referral application to the Authority.
3. That through the Referral Bank, the business generated was Rs 4,33,702 during the year 2011-12 and during the financial year 2012-13 it was Nil.

Decision:

The submission of the Life Insurer that it relied on the declaration of the Bank as part of carrying the due diligence is considered and no charges are pressed. However, FGLI is hereby advised to put in place measures for appropriate due diligence hereafter, in order to comply with the provisions of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010.

On inconsistent information submitted to the Authority, it is noticed that the status of the referral arrangement which was stated as 'in force' vide letter dated 15th January, 2013 is in no way nearly matching the subsequent submissions forwarded vide e-mails dated 04th February, 2013 and 27th February, 2013. The information forwarded, despite repeated clarifications sought, is considered as casual, evasive and is also considered as violation of the provisions of Regulations 11 (4) and 11 (5) of IRDA (Sharing of Database for Distribution of Insurance Products) Regulations, 2010. However, taking into consideration the insignificant volume of business generated through the Referral Bank, the Authority hereby cautions FGLI for submitting inconsistent information. M/s Future Generali India Life Insurance Company Ltd. is directed to put in place fair compliance systems while submitting the information to the Authority. FGLI is also directed to ensure compliance to IRDA (Sharing of Data Base for Distribution of Insurance Products) Regulations, 2010 and invariably notify the Authority any developments that have a bearing on the approvals accorded by the Authority in terms of Regulations referred herein.

Dated: 10th January, 2014
Hyderabad


MEMBER (LIFE)