



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

**ORDER  
OF  
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY  
AGAINST  
M/S IFFCO TOKIO GENERAL INSURANCE COMPANY**

1. M/s Iffco Tokio General Insurance Company (herein after referred to as 'the Insurer') has been granted a certificate of Registration bearing no. 106 on 04.12.2000 by Insurance Regulatory and Development Authority to conduct business of General Insurance in India. In terms thereof the insurer was subject to the terms and conditions of the registration granted to it and was also required to abide by the relevant provisions of the Insurance Act, 1938 (hereinafter referred to as 'the Act'), the Insurance Regulatory and Development Authority Act, 1999 (hereinafter referred to as 'the IRDA Act, 1999'), the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 (hereinafter referred to as 'the Regulations') and other directions issued by the Authority from time to time by way of circulars and/or guidelines and particularly, Circular No. 017/IRDA/Circular/CA Guidelines/2005 dated 14<sup>th</sup> July 2005 (hereinafter referred to as 'the Guidelines').
2. The Insurer had granted a license bearing no. 3516880 on 22<sup>nd</sup> August 2007 to M/s Maruti Insurance Agency Services Ltd (herein after referred as 'the corporate agent') to act as a corporate agent on its behalf for a period of three years. While granting the license insurer was required to verify compliance by the corporate agent of provisions of the Act, Regulations, guidelines and circulars issued by the Authority in this regard.
3. The said corporate agent is a group entity belonging to M/s Maruti Suzuki India Ltd group. (herein after as 'the promoter entity'). The Authority received information that the promoter entity holds 99.99% of stake in the corporate agent and five other group entities namely, Maruti Insurance Business Agency Ltd., Maruti Insurance Agency Network Ltd. Maruti Insurance Agency logistics Ltd. Maruti Insurance Agency Solutions Ltd., and Maruti Insurance Distribution Services Ltd., which are also acting as corporate agents of other Insurers.
4. Hence, the Authority called for further details from the insurers with whom the corporate agents were attached respectively. The information submitted by them has been tabulated and is as follows:

| Name of the Corporate Agent entity              | License Number | Name of the general insurance company          | Date of issue of License | License valid upto (pursuant to renewal/s sought, if applicable) | Shareholding of the promoter entity i.e. Maruti Suzuki India Ltd. in the Corporate Agent entity |
|---|----------------|--|--------------------------|--|---|
| M/s Maruti Insurance Business Agency Ltd.       | 535014         | M/s National Insurance Co. Ltd.                | 02.05.02                 | 01.05.11   | 149994 shares out of 150000 shares, amounting to 99.99 % approximately.                         |
| M/s Maruti Insurance Distribution Services Ltd. | 535017         | M/s Bajaj Allianz General Insurance Co. Ltd.   | 02.05.02                 | 01.05.11   | 149994 shares out of 150000 shares, amounting to 99.99 % approximately.                         |
| M/s Maruti Agency Network Ltd.                  | 1722835        | M/s Royal Sundaram Alliance Insurance Co. Ltd. | 28.06.04                 | 27.06.10   | 99.99 % approximately.  |
| M/s Maruti Insurance Agency Solutions Ltd.      | 1724318        | M/s New India Assurance Co. Ltd.               | 30.06.04                 | 29.06.10   | 149994 shares out of 150000 shares, amounting to 99.99 % approximately.                         |
| M/s Maruti Insurance Agency Services Ltd.       | 3516880        | M/s IFFCO Tokyo General Insurance Co. Ltd.     | 22.08.07                 | 21.08.10   | 149994 shares out of 150000 shares, amounting to 99.99 % approximately.                         |

|  |         |  |          |          |   |
|--|---------|--|----------|----------|---|
| M/s Maruti Insurance Agency Logistics Ltd. | 3828010 | M/s ICICI Lombard General Insurance Co. Ltd. | 13.12.07 | 12.12.10 | 149994 shares out of 150000 shares, amounting to 99.99 % approximately. |
|--|---------|--|----------|----------|---|

5. In the extant case, four corporate agent entities viz. M/s Maruti Insurance Business Agency Ltd., M/s Maruti Insurance Distribution Services Ltd. and M/s Maruti Agency Network Ltd. and M/s Maruti Insurance Agency Solutions Ltd. had obtained the license to act as a Corporate Agent of M/s. Bajaj Allianz General Insurance Co. Ltd., M/s National Insurance Co. Ltd., M/s Royal Sundaram Alliance Insurance Co. Ltd. and M/s New India Assurance Co. Ltd. respectively. After obtaining these licenses, the promoter entity formed the corporate agent and other corporate agent entities which were also licensed to act as corporate agents for their respective general insurers,
6. In terms of clause 5 of the guidelines the members of a family, and shareholders holding a share of more than 10% in the share capital of the applicant company for corporate agency, shall be regarded as being in the same group. Hence the corporate agent and all other five entities referred above are members belonging to the promoter group by virtue of holding more than 10%.
7. Further in terms of clause 5 of the guidelines read with regulation 3(2) of the regulations, ordinarily only one license can be granted to one group provided the group does not have any other insurance activity such as broker, insurer etc. Hence any application from a company for a corporate agency license where any member of the group is already engaged in insurance agency or brokerage or similar insurance activity should be referred to IRDA for approval before a license is issued. For this purpose, the applicant for a corporate agency license should be required to make a solemn affirmation about any insurance related activities of any members of the group. The Insurer failed in verifying compliance by the corporate agent of above referred provisions of guidelines and regulations while granting and renewing the license of the corporate agent. In view of the aforesaid violations, the Authority has issued a show cause notice to the Insurer vide letter ref no. IRDA/CA/MARUTI dated 25<sup>th</sup> May, 2010. The insurer submitted its reply in response to show cause vide letter dated 22<sup>nd</sup> June, 2010. They contended that Maruti group is holding a market share of more than 50% in the passenger car segment and has a strong network which enables insurance penetration into rural markets and the unique distribution model of Maruti has tremendously helped the insurance industry by spreading insurance awareness across country. Further they submitted that no customer has been put into any hardship and no mis selling/misconduct is reported against the corporate agent.

Hence the insurer prayed for exonerating them of the charges on grounds that they had not committed any deliberate lapse.

8. The Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations were made in the year 2002 and were in force at the time of granting license to the corporate agent. Regulation 3(2) of the Regulations states that the Authority may refuse or reject, for reasons to be recorded, an application seeking license to act as a corporate agent, if it feels that the grant of license is against public interest or when the application is from such a group of persons who are already engaged as insurance agents, brokers etc. The insurer failed to refer the application of the corporate agent to the Authority for exercising powers vested in it under the Act and regulations. Thereby the insurer contravened the said provision of the regulations at the time of grant of license. Further the insurer has also failed to exercise due diligence in grant of the license in terms of clause 5 of guidelines. The insurer neither obtained solemn affirmation from the corporate agent about insurance related activities of any of the members of the group to which it belongs nor referred the application of the corporate agent to the Authority as per Provisions of clause 5 of guidelines in force at the time of grant of license. Further it is pertinent to mention here that no license to act as a corporate agent can be granted on the basis of strengths and reputation of the applicant firm. The insurer is supposed to verify compliance by the applicant with provisions of the Act, regulations, guidelines and circulars. Hence the reply submitted by the insurer is not tenable.
9. Having regard to the facts of the case and the gravity of the violations deliberately committed by the Corporate Agent, the Authority in exercise of powers vested in it vide section 102 of IRDA Act, 1999 passes the following Order

"The insurer be imposed a penalty of Rs.5 Lacs and advised to remit the requisite amount through Demand Draft drawn in favour of IRDA payable at Hyderabad within 7 days of receipt of this order".

  
(J. Harinarayan)  
CHAIRMAN

Date: 07.06.2011  
Hyderabad