



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

Title:SBI Life Insurance Co. Ltd.

Reference No.:IRDA/LGL/ORD/Ord/123/07/2010

Date:28/07/2010

Order of the Insurance Regulatory and Development Authority Against M/s SBI Life Insurance Co. Ltd.

The Insurance Regulatory and Development Authority (the Authority) carried out an onsite inspection of M/s SBI Life Insurance Company Ltd (insurer) between June 09, 2008 and June 20, 2008 which inter-alia revealed violations of the provisions of the Insurance Act, 1938 (the Act) as also the File and Use Guidelines issued by the Authority.

One of the specific violations noted involved the insertion by the insurer of two clauses in the policy document "Super Suraksha" after the clearance of the policy document by the Authority under the File and Use process. One clause denied the payment of death claims in the event that death occurred within 45 days from the date of commencement of the policy and the other clause provisioned for rejecting the payment of death claim in the event of intimating the death claim 90 days after the date of death. Such insertions after the clearance accorded to the policy document under the File and Use process besides amounting to an act of serious misdemeanor also resulted in the violation of the 'File and Use' Guidelines issued by the Authority.

The Authority forwarded the copy of the inspection report dated July 18, 2008 to the insurer under cover of letter dated November 21, 2008 and sought the comments of the insurer to the same. Upon examining the submissions made by the insurer dated December 20, 2008, the Authority called for further information vide its letter dated 21.05.2009, which was responded to by the insurer vide letter dated 25.06.2009. Finally, the Authority issued notices to show cause dated 17.09.2009 and 01.12.2009 which were responded to by the insurer vide replies dated 12.10.2009 and 02.01.2010 respectively. These submissions of the insurer as also those made during the course of the personal hearing granted by the Authority on April 27, 2010, were taken into account. Thereafter the Member (Life) of the Authority vide letter dated 10th May, 2010 communicated the proceedings of the Authority ordering the imposition of penalty of Rs 5 lacs for each instance of violation upon the insurer resulting in the total penalty of Rs.10,00,000 (Rupees Ten Lakhs only) under Section 102 of the Act.

Aggrieved by the same, the insurer submitted a letter Ref No: SBIL/22/2010-11 dated May 26, 2010 before the Authority seeking revision of the said order on the assumption that discretionary powers for revision of the said order u/s 110A is vested upon the Authority.

Before commenting on the merits raised in the said appeal, it would be relevant to place on record the well settled proposition of law that an Authority can revise any of its orders passed only if such an Authority is endowed with such powers by way of it being statutorily vested upon it. The provisions of the Insurance Act, 1938 or more particularly that of the referred section i.e. 110A does not in any manner vest any such power upon the Authority to revise any order passed by it. It is further noted that no new substantial material facts or those not considered earlier by the Authority before the passing of the said order have been submitted by the insurer and that the Authority had issued the impugned order after issuing two notices to show cause (one preliminary and one final) and after providing the insurer with adequate opportunity of making its submissions, both in writing and personally and after taking note of the admitted default by the insurer.

The fact also cannot be denied that the insertion of the earlier discussed clauses into the policy document without seeking the approval of the Authority through the File and Use procedure had serious ramifications effecting the interests' of the policy holders at large in that the alteration of the main terms and conditions of a product was clearly a serious breach of trust reposed upon the insurer by its various stake holders.

Keeping in view the above, the order imposing the above referred to penalty upon the insurer under Section 102 of

the Act, for deviating from the approved product through the File and Use procedure deserves to be enforced.

Accordingly, in exercise of the powers conferred upon me under the provisions of the Insurance Act, 1938, I hereby direct the insurer to remit the penalty of Rs 10,00,000 (Rupees Ten Lakhs only) within a period of 30 days from the date of receipt of this order through a cross demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may be sent to Shri Kunnel Prem, C S O (Life) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad 500 004.

Sd/-
(J Hari Narayan)
Chairman

Place: Hyderabad,
Date: July 28, 2010