



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

ORDER

Ref: IRDA/ORD/F&A/ 033/SEP-07

10 September 2007

Shri R. Duruvasan
Managing Director
Shriram Life Insurance Company Ltd.
Regd. Office : 3-6-478,
3rd Floor, Anand Estate, Liberty Road,
Himayat Nagar,
Hyderabad - 500029

Dear Sir,

Sub: Levy of Penalty under Section 105B of the Insurance Act, 1938

Shriram Life Insurance Co. Ltd. commenced operations in 2005-06. During the said year, while the insurer had complied with the rural sector obligations, it failed to comply with the social sector obligations. However, in view of the fact that 2005-06, was the first year of its operations, the non-compliance was condoned. It is now observed that in 2006-07, the company has again failed to comply with the social sector obligations, and had covered only 200 lives in the said sector as against its obligation of 7500 lives.

The Insurer was obliged under sections 32 B and 32 C of the Insurance Act, 1938 read with the IRDA (Obligations of Insurers to Rural and Social Sector) Regulations, 2002 to undertake prescribed percentage of its life insurance business from the rural and social sectors.

In response to the Authority's show cause notice No. 429/2/F&A/RSSO-L/064/Jun-07 dated 11th June 2007 the insurer has indicated that 5752 non-single premium policies and 1 group policy covering 200 lives have been issued in the social sector. In effect 5952 lives have been covered in social sector in 2006-07. The insurer thus has a shortfall of 1548 lives against its obligations in the second year of operations.

The Authority does not accept the insurer's plea that it had any reasonable cause for not fulfilling its obligation in the social sectors. It is also noticed that the insurer had failed to comply with the obligations for the 2nd year in succession.

The Authority holds the insurer responsible for failure to comply with its obligations and levies a penalty of Rs. 5 lakh for not conforming with the provisions of the Section 32B and the Regulations framed thereunder. This amount shall be paid to the Authority within 15 days of the receipt of this Order. In addition, the insurer is required to meet the unfulfilled part of the obligations of the second year of operations in the financial year 2007-08 in addition to the obligations for the third year of operations.

C S Rao

(C. S. Rao)

Chairman

10-9-07