



## REGULATORY UPDATES

### PRESS RELEASE: REGISTRATION OF INDIAN INSURANCE COMPANIES REGULATIONS, 2000

A [press release](#) dated 3 September, 2012 suggests that the Board of Insurance Regulatory and Development Authority ("IRDA") in its recent meeting, approved an amendment of the definition of 'Indian Promoter' set out in clause 2(g) of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000 to include a Limited Liability Partnership ("LLP"). Such LLP cannot, however, be a non-resident LLP and its partners cannot also be "foreign entities". The reason to specifically expand the scope of the term 'Indian promoter' is not clarified in the press release.

## IRDA ORDERS

### PRESS RELEASE: APPROVAL FOR CHANGE IN SHAREHOLDING OF METLIFE INDIA INSURANCE COMPANY

The above [press release](#) also mentions that the IRDA approved the induction of Punjab National Bank ("PNB") as a 30% shareholder of MetLife India Insurance Company Limited ("MetLife"). The release mentions that the IRDA has been examining the inability of some of the existing shareholder of MetLife to subscribe to capital calls due to certain regulatory restrictions. It is unclear as to what restrictions have been imposed on the shareholders of MetLife, however, it may be presumed that since the non-resident shareholding in MetLife is already at 26%, i.e., the maximum currently permitted non-resident shareholding in an insurer, and if the resident shareholders of MetLife are unable to collectively subscribe to 74%, perhaps then, the only option for the insurance company is to raise capital such that the foreign shareholder agrees to subscribe at a price higher than the price offered to residents.

The Board seems to have approved the proposal to induct PNB as a shareholder of MetLife on certain conditions, including the appointment of PNB nominees on the board of directors of MetLife, reduction in the equity stake of some of the existing shareholders and maintaining solvency margin. The Board further advised IRDA that in the public interest and with a view to protect policyholders' interest, the IRDA may issue directions to MetLife in exercise of its powers under the Insurance Act, 1938 ("Insurance Act"). Under the Insurance Act, if the IRDA is satisfied that, *inter alia*, in public interest or to prevent the affairs of an insurer from being conducted in a manner prejudicial to the interests of the policy holders, the IRDA may, after giving an insurer an opportunity to be heard, give directions to such insurer.

### PENALTY LEVIED ON TATA – AIG LIFE INSURANCE COMPANY LIMITED

The IRDA issued an [order](#) dated 13 August, 2012 imposing a penalty of INR 4.9 million on TATA – AIG Life Insurance Company Limited ("Tata AIG Life") for violation of the Insurance Act and allied regulations.

The key defaults made by Tata AIG Life include (a) excessive payments made to corporate agents in violation of IRDA [Guidelines](#) on Group Insurance Policy for which a penalty of INR 0.8 million was levied; (b) engaging unlicensed entities and individuals under referral arrangements and other related non-compliances for which a penalty of INR 0.5 million was levied; (c) engaging unlicensed entities as corporate agents for which a penalty of INR 0.4 million was levied; (d) soliciting insurance business from unlicensed entities in violation of [Guidelines](#) for Licensing of Corporate Agents ("Corporate Agents Guidelines") for which a penalty of INR 1.2 million was levied; and (e) making

payment of fees and expenses in excess of approved commissions and fee under the Insurance Act by a large margin for unjustified reasons for which a penalty of INR 2 million was levied. On the other hand, the IRDA did not press charges on many other issues, including non compliance with filings relating to compliance with [anti-money laundering guidelines](#) and providing inaccurate information on social sector obligations under the Insurance Act and allied regulations, but issued warnings and advised strict compliance.

#### **PENALTY LEVIED ON NATIONAL INSURANCE COMPANY LIMITED**

The IRDA issued an [order](#) imposing a penalty of INR 0.5 million on National Insurance Company Limited ("**National Insurance**") for failing to comply with the provisions of an IRDA [Circular](#) dated 8 July, 2011 which required submission of information pertaining to its policies, premium, claims, agents and offices within 21 days of the end of every quarter.

#### **PENALTY LEVIED ON NEW INDIA ASSURANCE COMPANY LIMITED**

IRDA also issued an [order](#) imposing a similar penalty of INR 0.5 million on New India Assurance Company Limited ("**New India**") for failing to comply with the above referred IRDA [Circular](#) by submitting information after the last date of submission under the above referred circular.

#### **NEWS REPORTS**

News [reports](#) cited Mr. J. Hari Narayan, Chairman, IRDA quoting his views on the recent surge of penalties imposed by the regulator on defaulting insurers was quoted saying that the regulator did not initially have the capacity to locate defaults made by insurers because regulatory scrutiny and inspection capability of IRDA was not developed. The IRDA according to Mr. Narayan has now entered the second phase of capability enhancements and it is perceived that the regulator may soon start investigating corporate agents and referrals.

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