



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

ORDER

Ref: IRDA/429/2/F&A/ORD/47/MAR-09

20th March, 2009

Shri S. Narayanan
Chief Executive Officer
IFFCO-TOKIO General Insurance Co. Ltd.
4th and 5th Floor, IFFCO Tower
Plot No. 3, Sector 29,
Gurgaon, Haryana – 122 001

Dear Sir,

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

The insurer was obliged under sections 32B and 32C of the Insurance Act, 1938 read with the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002 as amended from time to time to underwrite prescribed percentage of Gross Direct Premium of its general insurance business under the Rural Sector.

On review of the data submitted by the insurer with the Authority, the specified percentage of general insurance business in the Rural Sector for the financial year 2007-08 it was observed that the insurer is short of its obligations in the said sector by 0.64 percent in 2007-08 i.e., against an obligation of 6 percent of the Gross Direct Premium to be underwritten in the rural sector, only 5.36 percent was achieved.

In response to the Authority's show cause notice vide No. 429/2/F&A/RSSO-NL/99/Dec-08 dated 31st December, 2008, the insurer has indicated that the exact percentage of the rural premium underwritten works out to 5.87 percent. To this effect, the revised compliance certificate signed by the Statutory Auditor M/s Raghu Nath Rai & Co. has also been submitted. The insurer has also indicated that the shortfall had occurred since the amended regulations were notified in January, 2008. Since, the insurers were kept informed of the intended obligations for the eighth year of operations and these were based on thorough deliberations on the issue and arrived at with the consent of the insurers, the Authority does not accept the plea of the insurer that it had any reasonable cause for not fulfilling its obligations in the rural sector.

The Authority hereby, holds the insurer responsible for failure to comply with its obligations towards the Rural Sector in 2007-08 and levies a penalty of Rs.5 lakh for not conforming to the provisions of 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 to the levy of the penalty the insurer is also required to meet the unfulfilled part of the rural sector obligations of the year 2007-08 in the financial years 2008-09 and 2009-10.

(J. Hari Narayan)
Chairman