



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

Order for Violation of Section 64VC of Insurance Act, 1938

Bajaj Allianz Life Insurance Company Ltd.
(hereinafter referred to as the 'Insurer') having its Registered office at G E Plaza, Air Port Road, Yerwada, Pune was issued a show cause notice dated 22.06.2007 for the alleged violation of Section 64VC of the Insurance Act, 1938 for opening branches without prior permission from the Authority.

In terms of Section 64VC of the Insurance Act, 1938, no insurer, shall open a new place of business or change the existing place of business in India without obtaining the prior permission of the Authority. The Insurer vide their letter dated 28th May, 2007 informed the Authority that they have opened 582 offices after getting their Board Approval and submitted the list to the Authority, without obtaining the prior approval of the Authority. The Insurer requested the Authority to ratify their action.

The Authority, on receipt of the letter cited above, informed the Insurer that seeking ratification is a continued violation of 64VC of Insurance Act, 1938 vide letter dated 22nd June, 2007 and directed the Insurer to show cause why action should not be initiated against them for the violation of the referred provision.



The Insurer in their reply dated 19th July, 2007, agreed that the company has opened 582 offices as per the list submitted to the Authority on 28th May 2007. The insurer in his reply submits that the company has opened 582 offices without obtaining the authority's approval due to miscommunication and misinterpretation. The Insurer has requested the authority not to consider the opening of 582 new offices as violation of section 64VC of Insurance Act, 1938, and ratify the offices opened without obtaining authority's prior approval.

It is a mandatory requirement under the provisions of law as aforesaid to obtain the prior permission of the Authority before opening of new places of business. Opening of branches without obtaining prior permission of the Authority and seeking ratification of the same is not in compliance of the provisions of law. Section 64VC does not contemplate ex-post facto approval of the action taken but provides for obtaining prior permission which is a condition precedent for opening a new place of business.

It is noticed that in the past also, a show cause notice was issued vide letter dated 16.02.2006 for the same default in opening 28 branches and 189 satellite offices without seeking prior permission of this Authority. Further vide our letter dated 16.03.2006, the Insurer was advised



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to seek prior permission of this Authority before opening any places of business as per the provisions of Section 64VC of the Insurance Act.

The Authority vide their letter dated 22nd June 2007 issued show cause notice for opening offices without obtaining prior approval of the authority. The insurer's reply dated 19th July, 2007 to the above show cause notice has been carefully examined and found not satisfactory.

Having regard to the nature and gravity of the default and repeated nature of such defaults, leading to the opening of as many as 582 offices without obtaining prior permission, despite being advised in the past to comply with the provisions of the law, warrants stringent penalty.

The Authority, therefore, after carefully considering the reply of the Insurer and the material on record hereby, imposes a penalty of Rs.5, 00,000/- (Rupees five lakhs only) under Section 102 of the Insurance Act, 1938 for the aforesaid violation.

The Insurer is advised to comply with the Authority's instructions within 10 days from the receipt of this letter.

Dated 21st of August, 2007 at Hyderabad.



(G. Prabhakara)

Member (Life)