

## Fine imposed on SBI Life

11 July 2011

By way of an update, please see below a news article published in the Times of India this morning regarding the fine imposed on SBI Life for payments to banks:

### ***IRDA slaps Rs 70L fine on SBI Life***

*TNN | Jul 11, 2011, 04.29am IST*

*MUMBAI: SBI Life Insurance, the country's largest new generation life insurer and a subsidiary of State Bank of India, has been fined Rs 70 lakh by the insurance regulator for making unauthorized payments up to Rs 204 crore to various banks, including Rs 186 crore to the State Bank group, between 2005 and 2010.*

*Announcing the penalty, IRDA on Friday said that its group insurance norms bar companies from making any payment to corporate agents in excess of the commission approved by the authority. "Despite these specific guidelines, the life insurer made payments in violation to eight of its corporate agents and six other master policy holders" said IRDA chairman in his written order.*

*The IRDA has treated payment to each entity as an individual violation and imposed a penalty of Rs 5 lakh for each of the 14 offences.*

*SBI Life had said that that these payments were reimbursement of administrative expenses in consideration of certain functions discharged by various entities in their capacity as master policyholder. However, this argument was not accepted by the regulator. IRDA's norms explicitly bar insurers from making payments either towards management expenses, document expenses or profit commission or bulk discount or payment of any other description to agents, corporate agents, group organizers or group managers. IRDA has said that the 'master policy holder' to whom SBI Life has made payments is a synonym for group organizer or master policy holder.*

*According to the regulator, SBI Life has made payments of Rs 186 crore to the State Bank group, including Rs 127 crore, to State Bank of India. Besides these payments, SBI Life had made smaller payments to Union Bank, United Bank, Sundaram Home Finance, Dewan Housing, Federal Bank, and Kerala Transport Development.*

*The Life Insurer in its defence stated that the guidelines were first issued in July 2005 and they took some time to redesign the policy and the revised policy was approved by the regulator on 5th November 2007.*

*“The Authority gives the benefit of doubt to the Life Insurer for payments made prior to 5th November 2007 but it notices that payments referred herein continued to be made even after the approval of revised product on 5th November 2007. Hence, the Authority has come to the conclusion that the payments made by the Life Insurer are wrongful and in violation of the Guideline” IRDA said.*

**For further information on this topic please contact Tuli & Co**

**Tel +91 11 2464 0906, fax +91 2464 0904 or email [lawyers@tuli.biz](mailto:lawyers@tuli.biz)**

**[www.tuli.biz](http://www.tuli.biz)**