



**ORDER in the matter of M/s Sahara India Life Insurance Co. Ltd.  
(Registration No. 127)**

**I. Background of the case:**

1. On review of the Annual Report of M/s Sahara India Life Insurance Company Limited (hereinafter referred to as SILIC) for the financial year ending 31<sup>st</sup> March, 2015, some issues on the financial propriety and governance aspects of SILIC were observed, including the following:

- (a) Chairman, Board of Directors and Investment Committee had not attended any of the meetings of the Board or Investment Committee during four years ending March, 2015. Therefore, the insurer had been advised, vide IRDAI letter no.113/2/F&A-Life/SLIC/2015-16/67 dated 25<sup>th</sup> August, 2015, that it would not be in order for SILIC to continue with Shri Subrata Roy Sahara as Chairman of the Board and Investment Committee. The fact that the insurer's operations had been carried on in the absence of their Chairman for the previous four years, raised serious concerns on effective oversight of the Board on the activities of the insurer, including its investment decisions;
- (b) Continuing decline in the insurance business of SILIC; and
- (c) Financial transactions valued at Rs.78.14 crore leading to transfer of funds to a group entity, despite specific prohibitive directions of the IRDAI.

2. The above issues were raised with the insurer on several occasions through correspondence resting with IRDAI letter No. 113.4/4/F&A-Life/SLIC ARA/118/2014-15 dated 26<sup>th</sup> November 2015. The insurer responded vide SILICL/CS/MAR-16/44/.66749 dated 29<sup>th</sup> March 2016. Certain clarifications were sought vide IRDAI letter No. 113.4/4/F&A-Life/SLIC ARA/21/2014-15 dated 18<sup>th</sup> May 2016, but there was no response despite reminders. Against this background, the Authority had reasons to believe that the financial position of the insurer as reflected through its financial statements did not provide a true and fair view of its financial health and that the SILIC was carrying on life insurance business in a manner which was likely to be prejudicial to the interests of the policyholders.

3. In view of the same, an Investigating Authority (M/s T.R. Chadha & Co., LLP, Chartered Accountants) was appointed under Section 33 of the Insurance Act, 1938 vide IRDAI letter No.113/2/F&A-L/SLIC/230/2015-16 dated 14<sup>th</sup> March, 2017 to cause an inspection of the insurer under section 33 (2) of the Insurance Act, 1938, to examine the operations of the insurer covering, *inter alia*, (i) reliability of the financial position reflected in the audited financial statements, (ii) adherence to

provisions on protection of policyholders; (iii) degree of regulatory compliance; (iv) existence of encumbrance or otherwise on the shares of the insurer held by its promoters; and (v) existence of encumbrance or otherwise of the Investments of the insurer.

4. The Investigating Authority M/s T.R. Chadha & Co., LLP submitted a Preliminary Report on 22<sup>nd</sup> May 2017, the major findings of which are as under:

- (a) SILIC did not share important and relevant documents because of which encumbrances on shares of promoters could not be ascertained, as neither the name of the Depository Participant (DP) nor shares were provided in physical/ demat form for verification.
- (b) Incorrect information was provided to the Authority on repudiation of claims.
- (c) Insurer was using AFM Actuarial Software for actuarial work, though that was considered outdated amongst the actuarial professionals. In the absence of a proper tool, it was difficult to be satisfied that the valuation processes and procedures were of adequate integrity.
- (d) In FY 2015-16, for a period of more than three weeks (from 3<sup>rd</sup> September to 30<sup>th</sup> September, 2015), business was conducted without the availability of an Appointed Actuary. Several key personnel had left or were leaving the organization. The key management positions of the Chief Risk officer (CRO), Chief Marketing Officer (CMO), Head of Underwriting and Policy Servicing and Head of Information Technology were vacant.
- (e) Security deposit of Rs.78.14 crore advanced to M/s Sahara India was not received back even after the expiry of the term of agreement between the parties despite the fact that the deposit was meant to open new branches, which were neither approved by IRDAI nor actually opened by the insurer.

5. Against the above background, and based on the preliminary findings of the Investigating Authority, IRDAI, after providing an opportunity of personal hearing, appointed an Administrator to manage the affairs of SILIC vide Order no. IRDAI/ F&A/ ORD/ FA/134/ 06/2017 dated 12<sup>th</sup> June, 2017 invoking provisions of Section 52 A (1) of the Insurance Act, 1938 which read as follows: *"If at any time the Authority has reason to believe that an insurer carrying on life insurance business is acting in a manner likely to be prejudicial to the interests of holders of life insurance policies, it may, after giving such opportunity to the insurer to be heard appoint an Administrator to manage the affairs of the insurer under the direction and control of the Authority"*.

6. The Investigating Authority M/s T R Chadha and Co., LLP Chartered Accountants, prepared an investigation report on the insurance company for the period 1<sup>st</sup> April 2015 to 28<sup>th</sup> February 2017 as per the request of the Authority. This report which was submitted on 8<sup>th</sup> June 2017 is quite exhaustive and several aspects of the working of the company and its financials have been analysed. The

following key issues identified in the report are summarised in its Chapter 3 (Executive Summary):

- (a) The rental deposit of Rs.78.14 crore given to M/s Sahara India, which is a related party is treated as receivable even though the related lease agreement expired way back on 31<sup>st</sup> October 2015 without any further renewal. No concrete steps have been taken for recovery of the sum and the likelihood of recovery appeared remote.
- (b) The networth reported by the insurer in the unaudited financial statement is Rs.351.12 crore as on 31<sup>st</sup> December 2016. Due to problems of recoverability of certain sums and reconciliation of bank balances, the Auditor estimated that the networth of the insurer may come down by Rs.119.28 crore to Rs.231.84 crore with a corresponding decrease in the available solvency margin.
- (c) The promoter company, SIFCL has been declared 'not fit and proper' by RBI and SEBI. RBI has filed an application for liquidation of insurer's promoter company SIFCL with High Court of UP as SIFCL was involved in serious financial irregularities and indiscipline including transferring funds to related parties rather than repayment to deposit holders from sale of investments of Rs.484.67 crore. Further, SEBI has declared SIFCL not "fit and proper" to run business of mutual funds.
- (d) The financial soundness of the promoters, SIFCL and Sahara Care Limited, is not evident from the records.
- (e) About 40% of the single premium is achieved through recycling of old policies.
- (f) 157 new offices were approved by IRDAI on 3.12.2013 but no new office was opened.
- (g) There is non-compliance of Corporate Governance Guidelines regarding appointment of key management personnel
- (h) More than 65% of premium is received in cash.

7. The Administrator submitted a report in terms of Section 52B of the Insurance Act, 1938 vide letter dated 22<sup>nd</sup> June, 2017. The Report of the Administrator corroborated the findings of the Investigating Authority, the final report of which was received by e-mail dated 8<sup>th</sup> June, 2017. The Administrator's report indicated that there was "total failure of the governance system of SILIC and the interests of the policyholders are at stake". The major findings of the Report included the following:

- (a) The promoters of the company are no more "fit & proper";

- (b) A sum of Rs.78 crore has been siphoned off in the purported guise of “security deposits”;
- (c) The promoters and the Board of Directors are not keen on putting in place a recovery plan to salvage the operations;
- (d) The company is primarily surviving on the “release of reserves”. However, the present situation is unlikely to continue for long as the new premium of the company has come down significantly.

8. Based on the Report of the Administrator which also corroborated the findings of the off-site monitoring conducted by IRDAI, SILIC was directed not “to procure/ collect proposal deposits / underwrite new business” vide Order no. IRDA /F&A /ORD /FA /148/ 06 /2017 dated 23<sup>rd</sup> June, 2017.

9. On the basis of the above, the Authority further concluded that “continuation of SILIC to transact life insurance business is not in the interests of the holders of life insurance policies in general”, and accordingly, the Authority considered it to be a fit case “to transfer the life insurance portfolio of SILIC to another insurer”. After following the due process of inviting expressions of interest, M/s ICICI Prudential Life Insurance Co. Ltd. (IPRU) was shortlisted for transfer of the life insurance portfolio of SILIC. Under section 52B(2) of the Insurance Act, 1938, IPRU was directed to take over ‘life insurance portfolio’ of SILIC on the appointed date, i.e., 31<sup>st</sup> July, 2017 vide Order no. IRDA/F&A/ORD/MISC/176/06/2017 dated 28<sup>th</sup> July, 2017. Through the same Order, SILIC was also directed “not to carry on life insurance business” with effect from the appointed date.

10. SILIC filed appeals dated 31<sup>st</sup> July 2017 before the Hon’ble Securities Appellate Tribunal (SAT) against the three orders dated 12<sup>th</sup> June 2017; 23<sup>rd</sup> June 2017 and 28<sup>th</sup> July 2017 of the IRDAI. After hearing the parties to the appeal, the Hon’ble SAT vide its Order dated 11<sup>th</sup> January, 2018, upheld (i) Order no. IRDAI / F&A / ORD / FA /134 / 06 / 2017 dated 12<sup>th</sup> June 2017 on appointment of the Administrator for SILIC; and (ii) Order no. IRDA /F&A /ORD /FA /148/ 06 /2017 dated 23<sup>rd</sup> June 2017 directing SILIC not to procure / collect proposal deposits / underwrite new business. However, the Order dated 28<sup>th</sup> July, 2017 on transfer of the life insurance portfolio to ICICI Prudential Life Insurance Company Ltd was quashed and the matter was restored to the file of IRDAI. The relevant extract of the SAT order is as under:

*“.....In view of the above discussion of law and fact, while upholding the appointment of the Administrator vide order dated June 12, 2017 impugned in Appeal No. 6/2017 and the consequential order dated June 23, 2017 impugned in Appeal 5/2017, we hereby quash the impugned order dated July 28, 2017 impugned in Appeal 4/2017 and restore the whole matter to the file of the IRDAI with a direction to proceed from the stage of seeking a representation/response from the Appellant on the Administrator’s report in question as well as providing opportunity of being heard to the Appellant in consonance with the principles of natural justice.....”*

11. In pursuance of the Order of the Hon'ble SAT dated 11<sup>th</sup> January, 2018, a copy of the Administrator's Report was shared with SILIC vide IRDAI letter No.113.7/3/F&A-Life/SLIC AP/199/2017-18 dated 18<sup>th</sup> January, 2018. SILIC sent a

reply vide letter no. 44/76019 dated 19<sup>th</sup> February, 2018, after seeking extension of time. Further inputs were sought vide IRDAI letter No. 113.7/4/F&A-Life/SLIC/26/2018-19 dated 11<sup>th</sup> May, 2018, which were replied to by SILIC vide letter No. 44/77438 dated 30<sup>th</sup> June, 2018. On review of its responses, SILIC was issued a show cause notice (SCN) vide letter reference no. 113.7/4/ F&A-LIFE/SLIC-AP/165/2017-18 dated 15<sup>th</sup> January, 2019 on the issues where the reply was not found satisfactory.

12. In response to the letter of the Authority dated 15<sup>th</sup> January 2019, the insurer sent its reply vide letter no. SLICL/44/Feb-19/8075 dated 1<sup>st</sup> March 2019 and submitted as follows:

- (a) On the allegation that a sum of Rs.78.14 crore has been siphoned off in the name of security deposit to another Sahara group company, as brought out in the Administrator's report, the insurer stated that its Board, in its meeting dated 3<sup>rd</sup> December 2014 decided to expand the life insurance business by opening 646 new branches in the premises of Sahara India for a nominal rent of Rs.500 per month per branch whereas the security deposit would remain with Sahara India, free of interest. The insurer further stated that Sahara India has utilised the security deposit to upgrade and modify the infrastructure in the premises in 646 places. On persuasion by the insurer, Sahara India agreed to make payment of interest on security deposit at a nominal rate. Since Sahara India kept the premises ready and the insurer has not paid any rent on the premises, and no interest has been received, the insurer requested the Authority to consider giving approval for opening of branches. The insurer stated that they have not made any investment in any group company in violation of any Regulations of IRDAI. The insurer further submitted that as per IRDAI Regulations, permission was not necessary for opening of branches in 450 places which were primarily in rural and semi-urban areas. IRDAI had earlier permitted opening of only 50 branches which was not adequate for increasing business.
- (b) Regarding the lack of response to the Administrator's query of 18<sup>th</sup> May 2016, the insurer replied that the response was handed over to the then CFO, Mr. Eswar Chandra Roy who left the organisation abruptly on 4<sup>th</sup> August 2016 and therefore the letter did not reach IRDAI. The papers were not made available by the outgoing CFO to the new CFO and therefore, the matter could not be dealt with.
- (c) On the absence of "maker and checker" system in place for investment functions, the insurer reported that the system was very much in place. The position of CFO has also been filled up in the meanwhile.
- (d) On the issue of non-fulfilment of "fit and proper" criteria for promoters as mentioned in the Administrator's report, the insurer stated that

SIFCL has been the co-promoter of the insurer with the permission of RBI as SIFCL was an NBFC recognised by RBI. SIFCL and its Board of Directors are fit and proper as per IRDAI Corporate Governance Guidelines dated 18<sup>th</sup> May 2016. RBI has never raised any concern about fit and proper criteria for SIFCL. SEBI has found Shri Subrata Roy Sahara who was the major shareholder of SIFCL to be not fit and proper. However, Shri Subrata Roy Sahara is neither a Director in SIFCL nor in the insurance company as on date. Both the companies are compliant with the provisions of the Companies Act.

- (e) SIFCL is a fully solvent company capable of discharging its total liabilities as the assets of the company are much more than the liabilities. Its bank balance is Rs.372 crore as on 31.12.2018 and this is adequate to meet liabilities towards depositors amounting to Rs.258.56 crore. The statutory auditors of SIFCL for the year 2017-18 have opined that the company has sufficient funds to repay entire deposits and has positive networth. RBI has never raised issue of 'fit and proper' about SIFCL but it cancelled the registration of SIFCL on 3<sup>rd</sup> September 2015 and filed a winding up petition on 15<sup>th</sup> September 2015 based on which an Order for appointment of provisional liquidator has been passed on 15<sup>th</sup> February 2019 by the High Court of Allahabad, Lucknow Bench. SIFCL has filed an appeal before the competent court against the High Court order and the matter is pending.
- (f) Regarding the allegation that all matters relating to HR Department are being approved by the Non-Executive Chairman, the insurer has mentioned that CEO has all powers and these are well documented. It is only in case of some officials deputed from the group companies that the Chairman was consulted because of his position in the other companies.
- (g) Regarding non-submission of business recovery plan, the company mentioned that it had always been working with a business plan and such a plan was approved by the Board on 29<sup>th</sup> May 2017 and has been submitted to IRDAI on 11<sup>th</sup> July 2017.
- (h) On non-reconciliation of bank accounts, the company mentioned that these are now being reconciled.
- (i) On long pending proposal deposits, the company stated that there was some delay but now only 9 cases were pending which would be cleared at the earliest.
- (j) The company also submitted that they have appointed a former Managing Director of LIC as the new CEO and Whole-time Director and President to improve the governance. There is also a former ED of LIC of India as the Chief Financial Officer. The Board has been

strengthened; the solvency margin of the company as on 31.12.2018 was very satisfactory at 9.47 and the persistency ratio of the company is one of the highest in the industry. The claim settlement ratio is at par with the industry standards. There is a regular Grievance Redressal Officer who is a qualified Company Secretary. The company has never defaulted in making any payment to policyholders. The company is earning profit continuously since 2009-10 with its assets worth Rs.1522.32 crore and liabilities worth Rs.1043.66 crore as on 31.12.2018. The company has 10,445 active agents as on 31<sup>st</sup> January 2019 and is committed to maintaining strict internal control and corporate governance norms.

- (k) The company requested that it be allowed to start new business operations and also requested revisit of the Authority's earlier order regarding appointment of Administrator. It also sought for personal hearing.

## II. Personal Hearing:

13. The personal hearing was held by the undersigned on the 3<sup>rd</sup> December, 2019 and was attended by the following:

On behalf of SILIC	On behalf of IRDAI
Mr. O. P. Srivastava, Chairman	Dr. Mamta Suri, CGM & HOD (F&A)
Mr. Arun K. Dasgupta, CEO	Mr. H. Ananthakrishnan, CGM & HOD (Legal)
Mr. Santosh Kumar Mishra, CFO	Mr. A. Ramana Rao, GM (F&A-Life)
Mr. Narendra Ojha, Company Secretary	Mr. S. P. Chakraborty, GM (Actuarial)
Mr. Praveen Paliwal, CIO	Mr. T. Venkateswara Rao, DGM (Life)
Mr. Manoj Tandon, Head of Operations	Ms. B. Padmaja, DGM (F&A-Life)
Mr. Dhiraj Goel, Appointed Actuary	Ms. A. Sageena, AGM (Legal)
Mr. Pushkar Verma, CMO	Mr. Keshava Rao A., Manager (F&A-Life)

14. The Authority, after going through the written reply and oral submission of the insurance company, sought certain clarifications through its letter dated 19<sup>th</sup> December 2019. The company, in its reply dated 26<sup>th</sup> December, 2019 stated that the matter of refund of security deposit of Rs.78.14 crore had been taken up with M/s Sahara India which would revert to them on the issue. On persistency, there has been noticeable improvement. The company also submitted its list of CFOs since 2016, its shareholding pattern as on 30.9.2019 and the financial statements of its promoter companies, for the year 2018-19 for the promoter companies. It also submitted its business plan for the next three years.

### **III. Review of the details submitted by the insurer, and additional information sought during the hearing:**

15. During the personal hearing, Mr. O.P. Srivastava, Chairman, SILIC reiterated their written submissions and steps taken by the SILIC to bring improvements in the operations. The following are details for each charge:

**Charges framed under the Show Cause Notice (SCN) dated 15<sup>th</sup> January, 2019:**

#### **(A) Concerns as regards Finance & Accounts functions**

**Charge 1 (Item IV.1 of SCN): Transfer of funds to group entity in the name of security deposit.**

16. The Insurer has transferred Rs.78.15 crore to M/s Sahara India (Registered Partnership Firm with Shri Subrata Roy Sahara and Shri O.P. Srivastava as its partners) in advance without opening the branches of SILIC, in the name of security deposit. The security deposit was purported to be towards opening 646 branches pan India for which no approval was given by IRDAI as required under section 64 VC of the Insurance Act, 1938 read with the IRDAI (Places of Business) Regulations, 2015. The transfer was made despite specific directions of the IRDAI to SILIC to *“not make any investment in any group company or any scheme of the AMC of the group; not to buy-back shares; not to provide any guarantee, whether against any security or otherwise on behalf of any group company or any other company and not to make any investment in immovable property or real estate without prior approval of the Authority”*.

#### **Insurer’s Submissions**

17. The Insurer vide its letter No: 44/76019 dated 19.02.2018 stated as follows:

*“.....SILICL has.. decided to embark on an expansion of its business by opening up over 600 branch offices in different locations across India for which permission was denied. ....”*

*Significantly, IRDAI has by its E-mail dated 3rd December 2013 had granted approval for opening 157 new offices to SILICL. Moreover, it is also noteworthy to mention that no permission was required as the offices were primarily to be opened in Tier 2 and 3 cities. However, they were sought as a matter of abundant caution.....*

*Since New Business Growth was nominal, the Company’s Board, keeping in view the IRDAI’s directives, took a conscious decision to go for expansion of its footprints to 646 new centers out of 3000 centers in which the parent company has strong presence. The ‘fund’ (of Rs.78.15 crore) was given as interest free deposit towards cost of providing Infrastructures as it worked out to be cost effective than the rental cost and the cost of providing infrastructures independently.”*

18. From the communication of the insurer to M/s Sahara India (SI), vide letter dated 20<sup>th</sup> December, 2019 relating to recovery of the security deposit and SI's response vide letter dated 30<sup>th</sup> December 2019, it is understood that the security deposit of Rs.78.15 crore has been utilized for meeting capital expenditure towards infrastructure, furnishings and other facilities to cater to the business and operational needs of SILIC; SI has further indicated that all agreements entered into between SILIC and SI in connection with taking their premises on lease may be treated as terminated with immediate effect. They have further submitted that the Security deposit shall be refunded in 36 monthly instalments.

**Discussion on the submissions of the insurer:**

19. SILIC had applied for opening of branches vide their letters dated 23<sup>rd</sup> January 2015 and 9<sup>th</sup> February 2015. IRDAI vide letter No. IRDAI/Life/2014-15/61 dated 24<sup>th</sup> July 2015, advised the insurer that *"their request to open 646 branches pan India was not justified in view of the fact that the company had 141 branches and failed to open a single branch though approval was given to open 157 branch offices in December 2013"*. Further, the insurer was advised by IRDAI to identify 50 business centers to open branches on priority and submit the same along with three years' business plan. It was also mentioned that the proposal to open more business centers would be considered only after first opening 50 branches. Considering the specific directions issued by IRDAI for compliance, the assertion of the insurer that "no permission was required as the offices were primarily to be opened in Tier 2 and 3 cities but were sought as a matter of abundant caution" cannot be accepted.

20. As per IRDA (Places of Business) Regulations, 2013, as well as updated Regulations of 2015 which replaced Regulations, 2013, the insurer, in order to open new branches in the places or locations where the population is less than 1 lakh, has to inform the Authority as per the prescribed return, provided the insurer meets two criteria, one of which is the compliance with the Expenses of Management (EoM) limits in the preceding financial year. In the instant case, the insurer was non-compliant with the EoM requirements for FY 2014-15. Therefore, the insurer cannot claim that no approval is required for opening of branches in Tier 2 and Tier 3 cities. Further, the proposal of the insurer to open 646 branches was explicitly refused by IRDAI through its letter dated 9<sup>th</sup> February 2015.

21. Despite clear directions of IRDAI of 24<sup>th</sup> July, 2015, first to identify 50 business centers for opening of branches, SILIC went ahead and transferred Rs.3.33 crore to SI. IRDAI vide letter dated 26<sup>th</sup> November 2015 had sought clarifications on the exorbitant increase in current assets (including Security Deposit to SI) during the year. While the insurer replied vide letter dated 29<sup>th</sup> March 2016, in the meanwhile, it had transferred Rs.0.85 crore more to SI in December 2015. Further, in complete disregard of IRDAI's advice, SILIC has not collected interest on the deposit extended to SI.

22. From this sequence of the events, it is evident that SILIC under the pretext of opening of branch offices has transferred Rs.78.14 crore to SI in violation of directions issued to the insurer vide IRDAI's letters dated 26<sup>th</sup> March, 2014 and 2<sup>nd</sup> April, 2014 through which SILIC was prohibited from investments in/advances to

group companies without specific prior approval from IRDAI.

23. In view of the above, the request of the insurer to permit them to get the refund of the Security Deposit in 36 monthly instalments cannot be accepted. While the so called advance was given despite clear instructions not to give any advance to group companies without prior approval of IRDAI, and despite refusal of IRDAI to approve opening of 646 branches, it may be noted that the advance of Rs.78 crore has been with SI since 21<sup>st</sup> December, 2015, i.e., for five years, though no benefit has accrued to the insurer from this advance. It is therefore essential that this amount is taken back from SI immediately along with interest as instructed vide IRDAI letter dated 28<sup>th</sup> May 2015. The refund of the principal must be completed within a period of 3 months and interest should be collected within the next one month.

#### **Charge 2 (Item IV.2 of SCN): No Response to the Regulator**

24. The insurer does not respond to the Regulator on the queries raised on its financial statements. The insurer has also not ensured compliance with the regulatory stipulations for more than fourteen months in the absence of CFO.

#### **Submission of the insurer:**

25. During the personal hearing, the insurer confirmed that the CFO has since been appointed, the Finance Wing of the insurer has been strengthened with the addition of two Chartered Accountants and the outstanding issues have been attended to and proper systems have been put in place. The list of CFOs appointed at various intervals since 2016 was also provided.

#### **Discussion on charge 2**

26. On examination of the details submitted by the insurer, it is observed that the current CFO is the third incumbent in the last three years. The present CFO assumed office on 26<sup>th</sup> September, 2019. As per IRDAI (Corporate Governance) Guidelines, CFO has a significant role in the company with responsibility for putting in place effective internal controls and in ensuring that the operations of the insurance company are carried out in a prudent manner with a view to ensure financial sufficiency and stability of the insurer and the protection of the interests of the policyholders. Frequent change in CFO impacts the ability of the insurer to put in place the requisite internal controls. The inability or unwillingness of the incumbents to continue with the company for a reasonable length of tenure may be symptomatic of some systemic deficiencies. However, since a regular CFO was appointed in September 2019 and is now in place, this charge is not pressed any more.

#### **(B) Concerns as regards Governance aspects**

#### **Charge 3 (Item V.1 of SCN): Fit and proper Criteria of Promoter**

27. The registration of promoter, i.e., Sahara India Financial Corporation Ltd (SIFCL), has been cancelled by its jurisdiction regulator (viz., Reserve Bank of India (RBI)) on the grounds of serious financial irregularities and indiscipline, including transfer of funds to related parties. SEBI has declared SIFCL as not “fit and proper”. It is a matter of concern to IRDAI that the majority shareholder of the insurer is no longer ‘fit and proper’ and is not a regulated entity, which is a material

alteration from the stated position at the time of grant of Registration under the IRDA (Registration of Indian Insurance Companies) Regulations, 2000. In addition, the insurer did not bring this material alteration in its promoter's status to the notice of the IRDAI.

#### **Submissions of the insurer:**

28. The insurer has submitted that SIFCL, one of the promoters holding 50% of paid-up equity of the insurer SILIC, was licensed as an NBFC by RBI. Once RBI closed the RNBFC scheme, the company, on its own, took initiatives to refund the deposits to the investors but an amount of Rs.258.40 crore remained as unclaimed amount. Against this, the company has investment and cash & bank balance worth Rs.394.08 crore in its books. The company remains a financially sound debt-free company. RBI has cancelled the license following the closure of RNBFC scheme. As regards liquidation of the company, the matter is presently before Hon'ble Supreme Court in the form of an appeal by SIFCL against the order of the Lucknow Bench of the Allahabad High Court. During the personal hearing, the Insurer was asked to submit the shareholding pattern of SIFCL for the past 3 years. The shareholding pattern as on 30.9.2019 was received by IRDAI through the insurer's letter dated 26.12.2019. A predominant proportion of 88.4983% of shares of SIFCL is held by Shri Subrata Roy Sahara and 5.6078% each by Shri O.P. Srivastava and Shri J.B. Roy.

#### **Discussion on the submission of the insurer:**

29. On examination of the documents produced, it is observed that RBI has cancelled the certificate of registration of SIFCL vide its order of 3<sup>rd</sup> September 2015 in exercise of the powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934. RBI, vide its earlier orders dated 4<sup>th</sup> June 2008 and 17<sup>th</sup> June, 2008, had prohibited SIFCL from accepting public deposits as RBI had come to the conclusion that the SIFCL had continuously violated directions/guidelines under RNBFC (RB) Directions 1987.

30. It is to be noted that the closure of the RNBFC scheme for SIFCL by RBI was triggered by the continuous violation of directions/guidelines of RBI by SIFCL. SIFCL had failed to comply with the 'proper corporate performance' norms as expected of a regulated entity in the financial sector to satisfy "Fit and Proper" criteria.

#### **Fit and Proper status of promoters:**

31. International Association of Insurance Supervisors (IAIS), an international body has formulated core principles for the supervision and conduct of insurance business. As per Insurance Core Principle 5 (ICP5) on Suitability of Persons, the necessary qualities of a Significant Owner of an insurer relate at least to:

- financial soundness demonstrated by sources of financing/funding and future access to capital; and
- integrity demonstrated in personal or corporate behaviour.

32. Suitability of shareholders, is one of the prerequisites while considering the grant of registration to an entity to operate in the insurance sector. The level of scrutiny in the financial sector is of a higher order since the insurance entities are

the guardians of the policyholders' funds and hold their funds in a fiduciary capacity. The insurers need to be in a position to honour the policyholders' claims at all times. Further, fit and proper assessment is carried out from the perspective of the reputation of the promoter regarding promoter's own business(es) and also from its financial position or strength.

33. The objective of the "Fit and Proper" principles enunciated by the Joint Forum of Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) is to ensure that supervisors of entities within a financial conglomerate are able to exercise their responsibilities to assess whether those entities are soundly and prudently managed and directed and whether key shareholders are not a source of weakness to those entities. Factors relative to the assessment of the fitness, propriety or other qualifications of key shareholders include business repute and financial position, and whether such ownership would adversely affect the regulated entity.

34. As per Regulation 7(2)(i) and (ii) of IRDAI (Registration of Indian Insurance Companies) Regulations, 2016, the consideration of requisition for registration application includes "the general track record of conduct and performance of each of the Indian Promoters and Foreign Investors in the fields of *business/profession they are engaged in and the record of conduct and performance of the directors and persons in management of the Indian Promoters, Foreign Investors and the applicant*". While fit and proper assessment is done for the promoters of the applicant company at the time of registration, it is implicit that the promoters are expected to maintain the 'fit and proper' status on a continuing basis during the operational life of the insurance company. This is clear from the fact that whenever a new promoter is recognised, 'fit and proper' assessment for the new promoter is done before according prior approval to accept the status of the new promoter.

35. SILIC was registered with IRDAI under the IRDA (Registration of Indian Insurance Companies) Regulations, 2000 in February 2004. One of the vital considerations for grant of registration to an entity to do life insurance business is the satisfaction of 'fit and proper' criteria for its promoters. SIFCL is a major promoter of SILIC and was registered as RNBFC with RBI. Subsequently, RBI cancelled the Registration of SIFCL as a RNBFC on 3<sup>rd</sup> September, 2015 and applied for liquidation of SIFCL. On an appeal by SIFCL, the liquidation proceedings have presently been stayed by the Hon'ble Supreme Court, and the matter is sub-judice.

36. Another group company SICCL holds 4.37% shares in SILIC. SEBI, vide its order dated 31<sup>st</sup> October 2018 directed SICCL and its directors including Shri Subrata Roy Sahara and Shri O.P. Srivastava to jointly and severally refund the money (along with interest of 15% per annum), collected in violation of provisions of SEBI Act, 1992 and relevant Regulations and guidelines through the issuance of Optionally Fully Convertible Debentures (OFCDs) during the years 1998-99 to 2008-09 to the tune of Rs.14,106 crore.

37. Further, SEBI in the aforesaid order has *inter alia*, directed SICCL and its directors including Shri Subrata Roy Sahara and Shri O.P. Srivastava and M/s

Sahara India not to, directly or indirectly, access the securities market and have further restrained and prohibited them from dealing in the securities market from the date of the order, till the expiry of 4 (four) years from the date of completion of refunds to investors. The above said directors have also been restrained from associating themselves with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI.

38. SEBI cancelled the registration of Sahara AMC/Sahara MF vide its order dated 28<sup>th</sup> July 2015. SIFCL is a sponsor of Sahara AMC. Prior to this cancellation, SEBI had directed Sahara AMC, *inter alia* to make efforts to transfer the activities of SIFCL (sponsor) and Sahara AMC to a new sponsor and a SEBI approved AMC at the earliest as Sahara AMC was considered to be not 'fit and proper' in accordance with the SEBI (Mutual Fund) Regulations, 1996.

39. It is noted that SEBI, vide its order No. WTH/PS/26/IMD/DoF-III/July/2015 dated 28<sup>th</sup> July 2015 in the matter of Sahara Mutual Fund has, *inter alia*, indicated as under regarding the applicability of 'fit and proper' criteria in respect of Mr. Subrata Roy Sahara:

*"..... A reading of the criteria for determining a 'fit and proper person' ..... makes it amply clear that in order to determine whether an intermediary is a 'fit and proper person', SEBI can take into account any consideration as it deems fit, including the integrity, reputation and character, convictions and restraint orders; competence including financial solvency and networth in relation to the intermediary, the principal officer and the key management persons. Thus, the same covers the persons who are in a position to influence the decision making process. For the purposes of performing the test of 'fit and proper person' on a body corporate, it is necessary to apply the criteria on such body corporate and extend the same to the persons who hold responsible positions and are in a position to influence decision making process in the Company....."*

*.....Thus, considering the SEBI order dated June 23, 2011, the pending contempt proceedings against Mr. Subrata Roy Sahara, SHICL/SIRECL (group companies of 'Sahara') and other litigations initiated and pending against Mr. Subrata Roy Sahara, Sahara MF along with the Sahara AMC and Sahara Sponsor are no longer fit and proper persons to carry out the business of a Mutual Fund."*

#### **Financial Fit and Proper status of promoters:**

40. During the personal hearing, SILIC was asked to submit (i) shareholding pattern of the promoters for last 3 years, (ii) annual financial statements of the promoters for last 3 years, (iii) promoter's source of funds to meet solvency and capital requirement of SILIC and (iv) the Board approved business plan of SILIC for the next 3 years. SILIC, vide its letter dated 26<sup>th</sup> December, 2019 provided financial statements for FY 2018-19 in case of M/s Sahara India Financial Corporation Ltd. (SIFCL); M/s Sahara Care Ltd. (SCL) and M/s Sahara Infrastructure and Housing Ltd. (SIHL). In case of M/s Sahara India Commercial Corporation Ltd. (SICCL) the financial statement for FY 2016-17 was provided.

Further submissions were made vide their e-mail dated 3<sup>rd</sup> February, 2020. On examination of the financial statements and the shareholding pattern of the group companies, the following were observed:

**41. Shareholding pattern of promoters:**

- (a) The shareholding of SILIC is distributed amongst the entities of Sahara Group, the ultimate beneficiaries of which are: Shri. Subrata Roy Sahara, Smt. Swapna Roy, Shri. J.B. Roy and Shri. O.P. Srivastava.
- (b) Shri Subrata Roy Sahara and his wife Smt. Swapna Roy are substantial shareholders in the following promoter companies of the insurer:

<b>Name of the promoter/shareholder</b>	<b>% shares held in SILIC</b>
M/s Sahara India Financial Corporation Ltd. (SIFCL)	50.00
M/s Sahara Care Ltd. (SCL)	40.00
M/s Sahara India Commercial Corporation Ltd. (SICCL)	4.37
M/s Sahara Infrastructure and Housing Ltd. (SIHL)	3.82

- (c) The shareholding pattern of Shri Subrata Roy Sahara, Smt. Swapna Roy, Shri J.B. Roy and Shri O.P. Srivastava in each of these companies is as under:

<b>Name of the company</b>	<b>Percent shares held by</b>				
	<b>Mr. Subrata Roy Sahara</b>	<b>Mrs. Swapna Roy</b>	<b>Mr. O.P. Srivastava</b>	<b>Mr. J.B. Roy</b>	<b>Cumulative holding [(1) to (4)]</b>
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
M/s Sahara India Financial Corporation Ltd. (SIFCL)	88.4983	0.0220	5.6078	5.6078	99.7359
M/s Sahara Care Ltd. (SCL)	40	20	5	5	70
M/s Sahara India Commercial Corporation Ltd. (SICCL)	49.7976	6.1897	4.6770	---	60.6643
M/s Sahara Infrastructure and Housing Ltd. (SIHL)	34.587	7.414	7.414	7.414	56.829

- (d) Thus, it is seen that Shri Subrata Roy Sahara and his wife Smt. Swapna Roy are substantial shareholders in all the promoter companies. As such, they are in a position to exercise influence over decisions such as those relating to strategic, operating, investing and financing policies of the insurer and are therefore, the ultimate beneficial owners of the insurer. As per IAIS core principles laid down under ICP 6 (Changes in control and portfolio transfers), the shareholders in the group companies having holdings above a specified threshold and who exert material influence on regulated entities within the group, should meet the fitness and propriety or other qualification tests. These tests are required to be met on a continuing basis.
- (e) The insurer has also submitted that shares of some of the promoter companies and group companies, were gifted by Mrs. Swapna Roy to Mr. Subrata Roy Sahara although these have formally not been transferred in his favour since his demat account has been frozen.

#### 42. **Financial Statements:**

Analysis of financial statements of the significant four promoters holding 98.08% of shares of SILIC provides the following information:

**(i) M/s Sahara India Financial Corporation Ltd. (SIFCL):**

43. The Statutory Auditors for FY 2018-19 have qualified their reports of standalone financial statements and consolidated financial statements of SIFCL after observing that (a) RBI has filed an application before the Lucknow Bench of Hon'ble High Court of Allahabad seeking liquidation of SIFCL, (b) there were non-compliances with regard to the RBI directions/circulars, and (c) incomplete information was shared with the auditors, some of which are as under:

- (a) Bank reconciliation statements and bank statements /balance confirmation certificate for 268 bank accounts having book balance Rs.1.85 crore were not provided to Auditors
- (b) The company had not placed unclaimed/unpaid deposit as on 31<sup>st</sup> March 2018 amounting to Rs.209.55 crore in escrow account with scheduled commercial banks as directed by RBI
- (c) As on 31<sup>st</sup> March 2018, the account had a balance of Rs.160.15 crore comprising of sale proceeds of 'Directed and Other investments' and had been transferred to SEBI Sahara Refund Account without obtaining prior approval of Reserve Bank of India, for sale of directed investments.
- (d) Information regarding the interest liability towards the depositors was not intimated to auditors.

44. The major part of revenue of SIFCL during 2018-19 came from discontinuing operations (Rs.24.98 crore), and was higher than the revenue from the continuing

operations (Rs.16.73 crore). During 2017-18 also, the revenue from discontinuing operations at Rs.32.04 crore was more than the revenue from continuing operations at Rs.16.88 crore. The profit for the year 2018-19 was only Rs.10.61 crore, as against the figure of Rs.54.85 crore in the previous year. Since new business is not permitted, there is likelihood of further pressure on revenue and profit. The entity had significant related party transactions with group entities, particularly with SICCL towards advance for purchase of land for Rs.194.86 crore (previous year figure was Rs.166.86 crore). It was also observed that these related party transactions were also viewed by SEBI with regulatory concern vide its Order dated 31<sup>st</sup> October, 2018.

**(ii) M/s Sahara Care Ltd. (SCL):**

45. The company had a meagre revenue of Rs.0.61 crore with reported loss of Rs.7.93 crore in FY 2018-19, and the accumulated loss was to the extent of Rs.54 crore, which was about 25% of its paid-up equity share capital. Majority of their non-current investments comprised of equity and preference shares held in group entities on which diminution of 99% was provided. This financial position does not give regulatory comfort as regards financial strength of the entity in supporting the future capital needs of the insurer.

**(iii) M/s Sahara Infrastructure and Housing Ltd. (SIHL)**

46. The entity had a meagre revenue of Rs.0.26 crore and reported loss of Rs.5.12 crore in FY 2018-19. The Statutory Auditors of the entity have qualified their report based, *inter alia*, on doubts as regards one of its subsidiaries continuing as a going concern. Thus, there is no regulatory comfort that the entity would be in a position to support the insurer in meeting its future capital requirements.

**(iv) M/s Sahara India Commercial Corporation Ltd. (SICCL)**

47. SICCL, that holds 4.37% of the share of the insurer, has been ordered by SEBI on 31<sup>st</sup> October, 2018 not to access the capital markets until they refund money collected through Optionally Fully Convertible Debentures (OFCDs). A substantial portion of assets is in the form of “advances” against the land and pending projects. The recovery from such assets is doubtful. Their current financial position is not known as the latest financial statements have not been furnished to the Authority. It is seen from the financial statement for the year 2016-17 that the company has incurred a loss of Rs.2176 crore during the year and the accumulated loss amounted to Rs.9492 crore. In view of the order of SEBI, the financial standing of the entity and its dependability with regard to future capital support to the insurer is doubtful.

48. Overall, it is observed that the four most significant promoters of the insurer are related group companies and each of those is grappling with its own regulatory or financial issues. Further, a large portion of the shareholding of the promoter companies is held by Shri Subrata Roy Sahara and his wife Smt. Swapna Roy who are the ultimate beneficial owners of SILIC. As submitted by the insurer, transfer of shares among the shareholders *inter se* have not been registered in the name of Shri Subrata Roy Sahara as his demat account has been frozen. SEBI, vide two orders both dated 13<sup>th</sup> February, 2013, has frozen all the bank accounts of Shri Subrata Roy Sahara.

49. In this scenario, the ability of the promoters to fund the future capital requirements of the insurer appears highly doubtful.

50. The insurer claims that the source of funds of promoters are their group companies, as reflected through their financial statements. However, it is observed that two of the group companies (SIFCL and SICCL) cannot infuse capital into the insurer owing to the pending liquidation proceedings in case of SIFCL and inactivity of one entity since FY 2016-17 (SICCL). In case of SCL, the entity has accumulated losses to the tune of 25% of its paid up capital. Majority of its non-current investments are in group entities (particularly Sahara AMC and Amby Valley) on which diminution to the extent of 99% is provided. With this financial status of the entity, it may not have the ability to infuse capital for the requirements of SILIC. In case of SIHL also, the revenue is meagre with a large loss leading to serious doubts about its ability to infuse capital in SILIC in case of need.

51. Even otherwise, the financial statements of the promoters do not demonstrate financial soundness or their ability to finance /fund capital requirements of the insurer. As seen from the audit qualifications in the Auditor's report of SIFCL, the company has not provided essential information to their statutory auditors on bank reconciliation statements. There are large scale non-compliances with RBI directions/guidelines and the company does not demonstrate acceptable standard of corporate governance to be considered as "fit and proper". Thus, it can be seen that none of the four companies that are promoters of SICIL satisfies the "fit and proper" criteria.

#### **Charge 4 (Item V.2 of SCN): Powers to the CEO**

52. Sufficient powers commensurate with their roles and responsibilities are not vested with the Whole Time Director (WTD) and the CEO of the insurer. The same are exercised by a Non-Executive Chairman.

#### **Submission of the insurer:**

53. During the personal hearing, the insurer submitted that all the powers regarding decisions on HR matters vests with CEO and it is duly exercised. Chairman is always kept informed of all major decisions as a matter of good governance. The insurer has further submitted documentary evidence to claim that as per their practice, the Appointing Authority is the competent authority for acceptance of an official's resignation. In case of two employees referred to in the instant case in the SCN, as they belonged to the group companies, the non-executive Chairman, being the Appointing Authority, had accepted their resignation. CEO and WTD of the insurer was authorized only to issue appointment orders of employees.

#### **Discussion on the submission of the insurer:**

54. The submission of files to the non-executive Chairman for orders with regard to HR functions gave rise to the doubt as to whether CEO and the Whole-time Director (WTD) was vested with adequate authority in exercising HR functions. As per sound corporate governance framework, CEO and WTD should be in full control of day to day affairs of the insurer.

55. It is however found that subsequent to appointment of Administrator, there has been greater oversight of this aspect. The insurer must ensure that functionaries exercise their authority as delegated by the Board without any undue interference.

**Charge 5 (Item V.3 of SCN): Operating without Board Approved Business Plan**

56. The insurer is operating without a Board Approved Business Plan for over a year. The business plan has, however, now been put in place only at the persistent behest of IRDAI.

**Submission of the insurer:**

57. The insurer submitted that the Business Plan has since been prepared with a structured growth strategy to ensure realization of the company's long term Business goals. Board Approval was obtained on 12<sup>th</sup> February, 2019 for next 3 years Business Targets. Issues like potential, geographic spread and resource requirements were considered.

**Discussion on the submission of the insurer:**

58. SILIC has submitted a road map on 26<sup>th</sup> December, 2019 with projections in terms of expansion of business and recruitment of agency work force. It does not deal with the key components of an insurance company's business plan viz. projections on premium, expenses or the capital requirements for the next three financial years. SILIC has filed only the 'Marketing road map' for the next three years, which envisages opening of 646 branches and re-commencement of the new business with projection to the tune of 5.13 lakh; 8.02 lakh; and 12.34 lakh policies. This clearly demonstrates that the insurer has no viable business plans in terms of premium projections, nor has it made any assessment as regards its projected capital requirements to achieve the business plan.

**(C) Concerns on Internal controls and systems/processes**

**Charge 6 (Item VI.1 of SCN): Bank Reconciliation:**

59. The insurer failed to provide the details of bank accounts which were reconciled as on March, 2017 and December, 2017 as requested vide IRDAI letter dated 11<sup>th</sup> May 2018

**Insurer's submissions:**

60. The insurer confirmed that except one bank account with a debit balance of Rs.16.83 crore and a credit balance of Rs.9.42 lakh, all other bank accounts (88 collection accounts and 18 HO bank accounts) were reconciled as on 30<sup>th</sup> September, 2019.

### **Discussion on Insurer's Submission:**

61. While several bank accounts have been reported to have been reconciled as on 30.9.2019, there is still one bank account pending to be reconciled. It has recently come to the notice from a communication from the Administrator dated 29<sup>th</sup> December, 2020, that "in one of the bank accounts, Rs.8.71 crore has been defalcated at a minimum which is under investigation". Systems and processes need to be in place for regular reconciliation of bank accounts of the insurer. Therefore, the reconciliation of the remaining bank account will have to be brought upto date within a specified timeframe, and all bank accounts need regular reconciliations.

### **Charge 7 (Item VI.2 of SCN): Long Pending Proposal Deposits:**

62. There were long pending proposal deposits for refund which indicated poor internal control.

### **Insurer's Submissions:**

63. During the personal hearing, the insurer submitted that out of 1100 cases of long pending proposal deposits reported as pending earlier, only 4 cases involving an amount of Rs.29,824/- are pending, as the whereabouts of the depositors in these 4 cases could not be traced.

### **Discussion on Insurer's Submission:**

64. The refund of the long pending proposal deposits except for 4 cases has been noted.

### **Charge 8 (Item VII.2 of SCN): Internal Controls appear to be poor**

65. The internal controls with the insurer appear to be poor. Some of the concern areas including non-reconciliation of bank accounts and non-refund of long pending proposal deposits, have been highlighted in the Administrator's report.

### **Submission of the insurer:**

66. The insurer submitted that with new CEO and new CFO, the systems have been streamlined.

### **Discussion on the submission of the insurer:**

67. The insurer has mentioned that as advised by the Administrator, Internal controls and maker and checker systems in finance functions have been laid down, and that there is an improvement in the adherence to the timelines to comply with regulatory reporting requirements. However, the insurer needs to take immediate action to reconcile the one bank account that is still pending for reconciliation, and to put all necessary internal controls for streamlined functioning.

### **Additional details submitted by SILIC after the personal hearing:**

#### **(i) Persistency Calculations:**

68. From the persistency calculations re-submitted by SILIC, it is found that the figures submitted on the total number of reinstatements and revivals were not consistent with figures filed with IRDAI through Actuarial Reports and Abstract

forms. Further, vague statements, without substantive documentary proof, were made by the company on improvement in persistency. Despite directions for re-submission of the said data, no meaningful additional inputs have been provided by the insurer.

**(ii) Organizational Chart of the Sahara Group:**

69. Despite reminders and despite instructions during the personal hearing, SILIC has not submitted the organizational chart of the Sahara Group. However, they submitted a marketing brochure of the group which contains various businesses that the group operates. It does not give a clear view on where SILIC stands vis-à-vis the complex web of the other group companies.

70. On the other issues raised by SILIC during the personal hearing, which did not pertain to the SCN, the insurer was advised to take up the same with the IRDAI separately.

**(iii) Assessment of latest governance aspects:**

71. In order to assess the latest corporate governance practices in SILIC, the details of the manner in which the Board/Committee meetings of the insurer were held on the previous two occasions, viz., 8<sup>th</sup> August, 2019 and 11<sup>th</sup> February, 2020 were obtained from the Administrator vide e-mail dated 11<sup>th</sup> February, 2020.

72. These inputs were also substantiated with the Governance Report published in the Annual Report of the insurer for FY 2018-19. It is observed that important committee meetings of the Board i.e., Audit Committee (AC), Investment Committee (IC), Risk and ALM Committee (R & ALM), Policyholders Protection Committee (PPC), Nomination and Remuneration Committee (NRC) were held along with the Board meeting simultaneously on specified dates on four occasions during the financial year. These committees have common members and each of the meetings is held for a duration of 15 to 30 minutes only. For example, on 8<sup>th</sup> August, 2019 various committee meetings with many common members/chairman were held. The Risk & ALM committee meeting was held between 11 am to 11.30 am, the Audit Committee meeting was held between 12.30 pm to 1 pm; and the Board Meeting was held at 1 pm. It gives an impression that Committee meetings are being held perfunctorily, and there is lack of effective oversight.

**Decision:**

73. In the light of the above, the following directions are issued in exercise of powers conferred under Section 52B(2) of the Insurance Act, 1938:

- (1) SILIC shall take immediate steps to recover the advance of Rs.78.15 crore from M/s Sahara India. The principal amount should be recovered within a period of 3 months and the interest should be recovered fully within a further period of one month.
- (2) As the promoters SIFCL, SCL, SICCL and SIHL are no longer found to be “fit and proper”, the shareholding by these four entities should be transferred to any other “fit and proper” promoters within a period of six months, subject to the provisions of IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015.

- (3) SILIC is directed to submit a proper Board approved “business plan” to IRDAI within 3 months.
- (4) SILIC is directed to reconcile all the remaining unreconciled bank account(s) as on 31<sup>st</sup> March 2020 within a period of 2 months.
- (5) SILIC is directed to strengthen its internal control systems and conduct its business in accordance with sound corporate governance practices on a continuing basis.

74. This order shall be placed before the Board of the insurer in the next Board meeting and the Insurer shall provide a copy of the extracts of the minutes of the discussion in the Board, to the Authority within a period of 10 days from the date of the Board meeting.

75. If the Insurer feels aggrieved by this Order, an appeal may be preferred to the Securities Appellate Tribunal as per the provisions of Section 110 of the Insurance Act, 1938.

**Sd./-**  
**(Dr. Subhash C. Khuntia)**  
**Chairman**

Date: December 30, 2020  
Place: Hyderabad