To
All Zonal Managers &
All Sr. Divisional Managers of the Corporation

Ref: Misuse of customers Cheques/Demand Drafts

As per the standard practice of the Corporation, the customers are paying their dues like Renewal Premium, Loan/interest etc. either through cash or through cheques/demand draft favoring LIC of India in the various offices of the Corporation and in our authorized collection centres i.e. offices run by Agents and Development Offices (Premium Points, Life Plus), Banks etc. To ensure appropriation of all such cheques/demand drafts towards the correct policy numbers the policy holders are always advised to write policy number, due date and the mode of payment on the reverse of such instruments.

Of late instances have come to our notice that the cheques/demand drafts received for policy payment towards renewal premium, loan interest/Principal repayment etc are being misused for obtaining new policy on different lives by way of erasing policy details written overleaf with intention to misappropriate the money of policy holders fraudulently. Looking at the seriousness of the matter, we need to sensitize our all offices to check such practices. Our field force needs to be made aware and vigilant while insuring any unknown customer. It is therefore being advised that at the time of accepting and accounting of cheques/demand drafts at any of our collection centers, following steps are taken –

1. No cheque with any cutting, overwriting etc (despite having countersigned by the customer) should be accepted for payment. (F&A CO has already issued circular on this). In addition, whenever any correction/overwriting in the matter written on the back of cheque/DDs should be carefully cross examined to avoid any misutilisation.
2. The name of the policyholder and the cheque signing person should be matched and permission of the Competent Authority should be obtained before accepting 3rd Party cheques/demand drafts.
3. The Competent Authority should also follow F&A rules on 3rd party cheque payments while observing reasonable controls while taking such decisions.
4. KYC norms must be strictly followed as per rules at the time of proposal.
5. Marketing force must observe due diligence of the bona fides of the customer before accepting their cheques/demand drafts for new business.

Needless to add on getting knowledge of occurrence of any such incidence the matter should be thoroughly investigated and stern action should be immediately initiated against the involved staff/Marketing force as per rules. Since such cases involve Vigilance angle also hence action should be initiated in concurrence with Vigilance Department.

Executive Director (CRM)