



Ref.no: IRDA/Enf/2018/USGI_Adv

Date: 20/02/2019

Shri Rajiv Kumar
MD & CEO
Universal Sompo General Insurance Co Ltd,
Regd & Corp Office: Unit No.401, 4th floor,
Sangam Complex, 127, Andheri Kurla Road,
Andheri (E), Mumbai – 400 069.

Re: On-site inspection of period 26/09/2016 to 07/10/2016 – Guidance on some of the inspection observations:

The Insurance Regulatory and Development Authority of India (IRDAI) had conducted an onsite inspection of your company (hereinafter referred to as “the insurer/ general insurer”) during 26th September to 7th October, 2016 and your reply dated 27th April, 2018. On considering the submissions made, the decision of the Authority on some of the observations is as below:-

1) Observation No - 3:

On perusal of data submitted relating to details of claims under litigation, it was found that the insurer has not provided for liability even though the initial verdicts were not in favour of the insurer. In circumstances where the initial verdict regarding a claim is against the insurer, an immediate provision should have been made. Non recognition of liability with regard to court cases has resulted into undervaluation of liabilities.

Insurer submission:

The cases mentioned in the inspection report are the claims which have been decided against the company at the lower court however on appeal the higher court did appreciate the grounds for repudiations/denials by the company and have been pleased to admit and stay them. Hence these claims were provided as contingency. There is no undervaluation of liabilities and wrong calculation of actuary solvency margin in the mentioned cases because while providing for IBNR, the actuary takes into account historical data of such cases going against the company and paid in favour of the insured.

However, upon pointing out during the inspection, the company, as a matter of prudent measure, has been making provisions for the same in the books for such cases. Out of the cases mentioned in the Inspection Report either the cases have been decided and paid by the company or the cases are still pending in the higher courts and reserve for the same have been provided.

Decision:

The inspection team has examined a sample of 47 cases where the lower courts judgment was against the insurer and in all these cases insurer has gone for further appeal. On examining the insurer submission, it is noted that only in 2 cases the decision by higher court was in favour of insurer, in 30 cases the claims were settled by insurer and the rest of the claims were still pending in court. The data clearly indicates that the appeal of insurer against lower court's decision was mostly not in its favour.

Since, insurer has taken a note of the inspection observation and has made provision for all such cases, the submission is taken note and the general insurer is guided to continue the practice and to give a confirmation in this regard.

2) **Observation No. 12:**

During the course of inspection, instances of delay in claim payments were noticed by the inspection team.

Insurer reply:

The Payment / Settlement of claims entirely depends upon the submission / furnishing of all material documents by the insured which substantiate the claim. The claims are paid / settled once all documents are received from the insured. USGI confirms ensuring that all claims would be settled within the period as stipulated in the referred clauses of Protection of Policyholders' Interest Regulations after the receipt of all document/s.

Decision:

The Authority takes note of the insurer submission. However, as prescribed in the Regulations, the general insurer is guided to make an offer of settlement on receipt of all claim requirements within a period of 30 days and to ensure compliance to the timelines prescribed at Regulation 15 of IRDAI (Protection of Policyholders Interest) Regulations, 2017

3) **Observation No. 14:**

During the inspection it was noticed that there has been a delay in intimation to Authority on relocation of branches.

Insurer submission:

Concerns of the Authority have been noted for compliance as stated in the report regarding Closure or Relocation of places of business in India.

Decision:

Delay of few days has been observed in reporting to Authority by the general insurer with regard to relocated offices within the same city. The Authority takes notes of insurer submission. The general insurer is guided to have proper internal controls to ensure compliance to Regulation 12(i) of IRDAI (Places of Business) Regulations, 2015.



4) **Observation No.19:**

The insurer's system is not capable of ascertaining the transaction wise ageing of receivables. The insurer failed to provide any supporting documents and detailed transaction wise breakup for the reinsurance balance amounting to Rs 17.57 Crores considered in arriving at solvency margin for the FY 2015-16.

Insurer reply:

Our process of ageing is in line with the guideline of the treaties. We would like to confirm that we have absolute control of our process and data to establish balance older than 90 days. However, as informed during the meeting our IT team is in the process to develop a system so that account can be settled automatically through the system. We would like to confirm that the amount of Rs.17.57 crores which was shown as receivable as on 31st March 2016 was safely received during the financial year 2016/17.

Decision:

The insurer submission is noted and is advised to ensure compliance to Clause 1 under Schedule I read with Regulation 4 of IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016 while considering outstanding receivables in arriving at solvency margin.

5) **Observation No.26 :**

The general insurer in its annual report has only disclosed related party transactions of only major shareholders and has not disclosed the transactions related to other related parties such as M/s. Mohit Burman (Partner Dabur investment Corporation), Indian Overseas Bank, and The Karnataka Bank etc.

Insurer submission:

As per Para 3.4 of Corporate Governance Guidelines "AS 18 of ICAI also casts obligations for the disclosures of transactions involving related parties". The transactions disclosed in Form No. AOC-2 forming the part of Director's Report was prepared on the basis of Schedule 16 of Notes to Accounts i.e. AS 18 Related Party Disclosures which is forming part of Financial Statement of the Company. As Disclosures under Notes to Accounts, Related Party Transaction as per AS 18 of ICAI needs to be provided only for promoters holding more than 20% and KMP and their relatives, hence details of other related parties i.e. Mr. Mohit Burman (Partner Dabur Investment Corporation), Indian Overseas Bank, and The Karnataka Bank etc were not provided. Therefore provision cited in the observation does not stand violated.

Decision:

The general insurer is informed that all companies have to prepare "A report by its Board of Directors" in accordance with Section 134 of the Companies Act, 2013 which requires 'particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form".

Therefore, the disclosures have to be in accordance with Section 188 of the Companies Act, 2013 and the definition of related party shall also be in accordance with that provided in companies Act, 2013.

The general insurer is guided to ensure compliance on disclosure of related party transactions from FY 2018-19 onwards.

6) **Observation No. 30:**

There is a difference in the wordings of the E proposal and the manual proposal with respect to Complete Health Care policy of the general insurer.

Insurer submission:

Questionnaire in the E proposal form available on USGI website for Complete Healthcare Insurance is made similar to the physical proposal form as filed and approved with authority under the mentioned UIN. Immediate action was taken & changes in online Proposal form were done. The changes made were shown to the audit team during inspection itself. We hereby confirm that E proposal available on website is similar to the filed and approved Physical Proposal form for Complete Healthcare Insurance.

Decision:

The risk commencement date of e-proposal referred in inspection observation is on 3rd October, 2016 and the IRDAI (Issuance of e insurance policies) Regulations, 2016 are effective from 1st October, 2016. Since, it was only two days after the applicability of the Regulation and the general insurer confirmed that it has upgraded e-proposal form available on its website to capture all requisite details as per F&U document during the on-site inspection itself; the submission is noted and the general insurer is advised to ensure compliance to

- Regulation 3 of IRDAI (Issuance of e insurance policies) Regulations, 2016
- Regulation 9 of IRDAI (Health Insurance) Regulations, 2016
- Para 3 under Chapter II of Authority circular ref.no.IRDA/HLT/REG/CIR/150/07/2016 dated 29th July, 2016 on 'Guidelines on Product Filing in Health Insurance Business'

This letter is issued with the approval of the competent authority.

Yours faithfully,

P. Maiti
20/02/2019

(Prabhat Kumar Maiti)
General Manager (Enforcement)

PM