



Ref.No.IRDA/Enf/SCN/2019/NL/USGI-Insp.rpt

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.

Dear Sir,

Re: Inspection Report 2016 – Show Cause Notice

The Insurance Regulatory and Development Authority of India had conducted an onsite inspection of M/s Universal Sompo General Insurance Co Ltd (hereinafter referred as the company or insurer") during 26th September, 2016 to 7th October, 2016. The inspection, inter alia revealed certain violations to various provisions of the Insurance Act, 1938, the Regulations notified there under and the guidelines/circulars issued by the Authority from time to time.

2. A copy of the report was forwarded to the company by the Authority under the cover letter dated 9th April, 2018. The company responded vide letter dated 27th April, 2018 and further clarification vide email on 3rd July, 2018.

3. On examining the submissions made in all above referred letters and email by the insurer to each of the inspection observations, it is observed that the insurer has not complied with the applicable provisions of the IRDAI's Regulations, guidelines, circulars framed there under. The Para wise violations stated to have been committed by the insurer are as below:-

Charge no.1 (observation 10):

Violation of Regulation 9 of IRDAI (Protection of Policyholders Interest) Regulations, 2002 in respect of a general insurance policy, with regard to claims procedure which stipulates that a surveyor has to be appointed within 72 hours of receipt of intimation of loss.

Inspection observation:

A scrutiny of appointment of surveyors with regard to loss assessment from the date of receipt of intimation of loss has revealed that, there have been numerous occasions where the surveyor was appointed beyond a period of 72 hours. The total number of approximate cases where the insurer appointed a surveyor after the expiration of a period of 72 hours from the time of receipt of intimation of loss is placed hereunder:

Financial year	Approximate number of cases where surveyors are appointed beyond 72 hours (3 Days) (*source CL2 Report submitted to the inspection team)
2014-15	5862
2015-16	6358

Submission of the insurer:

In only 69 claims in the year 2014-15 and 100 Claims in the year 2015-16 which constitute 0.01% of the total settled claims, the surveyors were appointed beyond 72 hours owing to various reasons as given below:-

- In Motor Claims vehicle is not left in the repair workshop particularly where the vehicle is in running condition and insured has not decided the repair workshop where he shall carry out the repairs.
- In Commercial Vehicle Claims, spot surveyor, if required to be appointed, is appointed immediately to inspect the damages at spot itself but Final Surveyor is appointed only once location / address / city & State of repair workshop is updated by the insured to USGI.
- Wherever there is death / injuries / Third Party Property Damage, usually vehicle is impounded by the police and taken away to nearest police station. The appointment of surveyor in such cases is possible only when the vehicle reaches the city of repair workshop which may not be same as the city of accident.
- In marine claims, initially insured informs about the incident when he is informed about the loss by the consignee. However when the consignment/machine is returned to insured's premises/workshop, the insured informs to USGI and surveyor is immediately appointed
- Initially the surveyor is not appointed as the estimate of loss given by the insured is small below the threshold limit for appointing a surveyor. However upon receipt of revised estimated loss from the insured, the surveyor is appointed immediately.

The company assures of taking necessary steps in ensuring that the surveyors are appointed immediately within 72 hours of the notification of claim.

Concerns / violations:

Insurer has not given case wise response of 169 claims referred in its submission wherein a delay in surveyor appointment has been reported.



Charge no.2 (observation no.11)

Violation of

- Provisions of Regulation 9 of IRDAI (Protection of Policyholders Interest) Regulations, 2002.
- Clause 6 of annexure II of corporate governance guidelines circular no.IRDA/F&A /Cir/0205/2009-10 dated 5th Aug, 2009 for lack of internal control mechanism.

Inspection observation:

On examination of the claims data, it is noted that the submission of the surveyor's reports has been delayed by more than 180 days. Details as below:

Financial year	Approximate number of cases where surveyor report submitted after 180 days	Annexure Number
2014-15	655	Annexure 12 to inspection report
2015-16	1120	

Submission of the insurer:

We have scrutinized the data as highlighted by the Authority and submit our observations as follows:-

- a) We have found that 219 claims during FY 2014-15 and 289 claims during FY 2015-16 were those which were earlier closed due to non-submission of document or non-co-operation by the insured. However, later when the insured furnished the requisite documents, claim was reopened and settled. In these reopen cases the date of submission of survey report has been captured after reopening of claim when the final liability was assessed by the surveyor after completion of all documents to enable the surveyor to compute the liability, which reflects delayed submission of report, though actually there is no delay.
- b) In respect of rest of 437 claims during FY 2014-15 and 831 claims during FY 2015-16, the final survey reports were not submitted by the surveyor as the insured were in process of completion of the documentations/repairs and reinstatement of the damaged property. Since in these claims insured was not co-operating with the surveyor, final survey report were submitted which took time beyond 180 days from the time of surveyor appointment, though actually there was no delay by surveyors as they completed the assignment immediately on receipt of necessary documents needed to complete their survey report. Further in all such cases the surveyor furnished his finding timely to USGI and also informed to the insured about pending documents which are delaying the submission of final survey report.

We assure the authority of taking necessary care and action to ensure that the surveyors submit their final survey reports within the prescribed limit of period as specified in Protection of Policyholders' Interest Regulations, 2017.

Concerns/violations:

- Insurer has not submitted claim wise data in support of its submission and has also not informed whether the claims were finally settled or not
- Insurer is responsible to follow up the surveyor/claimant for pending requirements to enable speedy settlement of claim.

Charge no.3 (observation no.15)

Violation of Circular no.IRDA/NL/Cir/ F&U/003/01/2011 dated 6th Jan, 2011, circular no.048/IRDA/De-tariff/Dec-07 dated 18th Dec, 2007 and Guideline 1, 3(ix), 8 & 11 of File and Use guidelines ref. 021/IRDA/F&U/SEP-06 dated.28.9.2006 by offering rates/discounts other than those filed & approved by IRDA

Inspection Observation

Upon examination of a few policies obtained on a sample basis; it was observed that the insurer is in the practice of giving huge discounts, over and above the rates filed with the Authority without analysing the past data & other factors affecting the characteristics of risks in respect of different classes of business. It was further observed that, generally the discounts offered are on the basis of competition prevailing in the market.

Following is a list of a motor insurance policies obtained on a sample basis:

Sr. No.	Policy No.	Class of Vehicle	Discount on tariff or base rate	Date of risk
1.	2315/52935624/02/000	Good Carrying	77%	20/02/2015
2.	2315/54982941/00/B00	-do-	76%	29/12/2014
3.	2315/54438172/00/000	-do-	72%	19/09/2014
4.	2312/56007899/00/000	Two Wheeler	61%	23/03/2016
5.	2312/52216740/03/000	-do-	60%	25/04/2015

In respect of Motor Insurance; the insurer explained that it has issued certain internal circular/guidelines w.r.t. providing discounts over and above the tariff rate. However, the insurer failed to justify the discount rates given in terms of the said internal circulars/guidelines.

Submission by the insurer:

Considering preferable segment based on experience of Make – Model in Geography ,usage of vehicle and customer profile higher discounts were offered as approved by competent authority at corporate office as provided in the underwriting policy duly approved by the board.

Further, Clause 6.13 of Form A filed with the Authority under F&U Guidelines provides "Authority to deviate from the Guide Rates will be at Corporate Office level. It will be based on Volume of Business under this and other line of business from the same policy holder and be based on persistency and profitability of the business.

The Underwriting guidelines are being analysed and reviewed at least once a year. The review is based on the experience of loss ratio, Claim Size and loss incidence of various make and model in different geography. 20% discount off Erstwhile Tariff rates were factored while filing our Guide Rates. However the additional discounting is given considering the business volume, persistency and profitability of the business/ client as per Clause 6.13 of Form A filed with the Authority under F&U. The discount given as above is referred as De-tariff discount in computation of premium on the policy schedule.

Concerns/violations:

There is no mention of De-tariff discount in the rating structure submitted by insurer. As per the information gathered from the filing documents of insurer's Motor two wheeler and motor GCV products (annexure 'A') , no other discount except as referred in filing is permissible.

4. In view of the violations mentioned under the charges made above, the insurer is advised to show cause as to why appropriate proceedings should not be taken against the company in terms of the powers vested with the Authority under Section 102 of Insurance Act, 1938 and Sub Section (1) of Section 14 of IRDA Act, 1999.

5. The insurer's reply, if any, should reach the undersigned within 21 days from the date of receipt of this notice along with the copies of the documents, if any, that the insurer may wish to rely upon in support of its contentions.

6. The insurer may also indicate in the reply whether they require a personal hearing, failing which it shall be presumed that the general Insurer has no further submissions to make; in which case, the matter shall be proceeded with, on the basis of the material available on record.

Please acknowledge the receipt of this notice and reply with all documentary evidence wherever required.

Yours faithfully,


20/02/2019

(Prabhat Kumar Maiti)
General Manager (Enforcement)