



Ref: IRDAI / Enf / ORD / ONS / 105 / 06 / 2019

**Order in the matter of M/s Universal Sompo General Insurance Co Ltd**

**Based on the**

- (i) Show Cause Notice (hereinafter referred to as "SCN") reference No.IRDA/Enf/SCN/2019/NL/USGI-Insp.rpt dated 20<sup>th</sup> February, 2019 in connection with the on-site inspection conducted by the Insurance Regulatory and Development Authority of India (herein after referred to as 'the Authority' or 'IRDAI') during 26<sup>th</sup> September to 7<sup>th</sup> October, 2016.
- (ii) M/s. Universal Sompo General Insurance Co Ltd (hereinafter referred to as "USGI" or as "general insurer") response dated 27<sup>th</sup> March, 2019 to the aforesaid SCN.
- (iii) The submissions made by USGI during the Personal Hearing held on 23<sup>rd</sup> April, 2019 at 3.30 PM, taken by the Chairman of the Authority at its office at Hyderabad.
- (iv) Further submissions/data submitted by USGI post personal hearing vide letter dated 1<sup>st</sup> May, 2019.

**Background:**

2. The IRDAI had conducted an onsite inspection of M/s. Universal Sompo General Insurance Co Ltd during 26<sup>th</sup> September to 7<sup>th</sup> October, 2016. The inspection report, inter alia, revealed certain violations of provisions of the Insurance Act, 1938, Regulations, Guidelines and various circulars issued there under.
3. A copy of the inspection report was forwarded to USGI on 9<sup>th</sup> April, 2018 seeking their response. On examining the submissions made by USGI vide letter dated 27<sup>th</sup> April, 2018 and 3<sup>rd</sup> July, 2018, a SCN was issued on 20<sup>th</sup> February, 2019, which was responded to by USGI vide letter dated 27<sup>th</sup> March, 2019. As requested by USGI therein, personal hearing was granted to USGI on 23<sup>rd</sup> April, 2019.
4. Mr. Rajiv Kumar, MD & CEO, Mr. Nirmal Bhattacharya, Chief Underwriter, Mr.Arjit Datta, Head-claims, Mr.Abhijeet Dhamale, Head-Legal & Compliance and Mr. Ajaya Kumar, Zonal Head, were present in the personal hearing on behalf of USGI. On behalf of the Authority, Mr. Prabhat Kumar Maiti, GM (Enforcement) and Mr. K.Sridhar, AGM (Enforcement) were also present.
5. The submissions made by the USGI during the personal hearing on 23<sup>rd</sup> April, 2019 and those made post personal hearing vide letter dated 1<sup>st</sup> May, 2019 have been considered by the Authority and on that basis the decision on each of the charges is given as under:

**Charge no.1**

6. **Violation of Regulation 9** of IRDA (Protection of Policyholders' Interests) Regulations, 2002; as per which,  
*"In cases, where a surveyor has to be appointed for assessing a loss/claim, it shall be so done within 72 hours of the receipt of intimation from the insured".*

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.

7. **Summary of submissions**

The insurer submitted that only in very few claims of FY 2014-15 and of FY 2015-16 which constitute 0.01% of the total settled claims, the surveyors were appointed beyond 72 hours owing to various reasons such as vehicle not being reported in garage, re-appointment of external surveyor owing to the loss being major, inland marine claims where surveyor was appointed on damaged consignment reaching the location etc., The reasons for delay in surveyor appointment were beyond the control of the company and in few cases, surveyor was appointed in time but data was wrongly captured.

USGI assured of taking necessary steps in ensuring that the surveyors are appointed immediately within 72 hours of the notification of claim. In this regard, it is informed that

- The average TAT in surveyor appointment has been brought down to 0.15 day during 2018-19 from 0.8 day during 2014-15.
- The company has automated the system of surveyor appointment and no single complaint received with regard to the cases referred in the observation.

8. **Decision on charge no.1**

The Authority takes note of insurer's submission and advises to ensure compliance to timelines at all times and to track/monitor the TAT on surveyor appointment on a regular basis to make sure that in no case delay happens in appointment of surveyor.

**Charge no.2:**

9. **Violation of**

- Provisions of Regulation 9 of IRDA (Protection of Policyholders' Interests) Regulations, 2002. As per the Regulation a surveyor shall not take more than six months from the date of his appointment to furnish his report.
- Clause 6 of annexure II of corporate governance guidelines circular no. IRDA/F&A /Cir/0205/2009-10 dated 5<sup>th</sup> Aug, 2009 for lack of internal control mechanism.

  
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On examination of the claims data, it was noted that the submission of the surveyor's reports has been delayed by more than 180 days during FY 2014-15 and 2015-16.

10. Summary of submissions

Insurer submitted that in many cases of the inspection observation,

- a) The claims 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) 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.

USGI submitted that no effort is paped to proactively follow up with the insured for pending requirement which includes regular sending letters, mails, phone calls, holding meetings with insured, intermediaries etc., for submission and follow up of documents of requirement. Regular follow up and discussion is also made with the surveyors.

The company has improved its systems and processes to avoid any error. Earlier the system clubbed the date of appointment of spot surveyor, final surveyor, investigator and advocate wherever required. Now, system was rectified to capture these dates in separate columns to ensure that no erroneous data is generated. The company assured the authority of taking necessary care and action to ensure that the surveyors submit their final survey reports within the prescribed limit of period to ensure compliance with all regulations and circulars as issued by the Authority without any breach and violations.

11. Decision on charge no.2

The insurer's submission is noted on the delay in receipt of survey report which being due to non receipt of documents from claimants and also due to time allowed as per policy terms for reinstatement of damaged property. It is also noted that the insurer has upgraded its systems and processes to capture the surveyor appointment data properly and sending reminders on pending requirements on a regular basis. Considering the submissions, the charge is not pressed.

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**Charge no.3:**

12. **Violation** of Circular no. IRDA/NL/Cir/ F&U/003/01/2011 dated 6<sup>th</sup> Jan, 2011, circular no. 048/IRDA/De-tariff/Dec-07 dated 18<sup>th</sup> 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

Upon examination of a few policies obtained on a sample basis; it was observed that the insurer is in the practice of giving discounts over and above the rates filed with the Authority without analyzing the past data & other factors affecting the characteristics of risks in respect of different classes of business. 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. .

It is also observed that the insurer used the term "de-tariff discount" in the policy schedule and on examination of the filing documents there is no mention of De-tariff discount in the rating structure submitted by insurer and as per the filed documents no other discount except as referred in filing is permissible.

13. **Summary of submissions**

The discounts given to some of the customers are in compliance with the Annexure "A" filed with the authority in year 2007 under F&U guidelines. The discounts were approved by competent authority at corporate office duly authorized for granting higher discounts, as filed in clause 6.1.3 of Form A submitted to the Authority for approval. USGI specifically mentioned in the filed document that the authority for deviation in the filed rates shall rest with the corporate office, which was exercised by the competent authority using full underwriting prudence. The authority has never raised any query nor communicated anything contrary to what is mentioned in 6.1.3 of Annexure 'A'.

Considering preferable segment, the higher discounts were offered as approved by competent authority at corporate office as provided in the underwriting policy duly approved by the board. The company has not allowed any discount which is outside the range filed with the Authority.

The Underwriting guidelines are being analyzed 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.

There is no explicit mention of de-tariff discount in the document filed with the Authority. It is a prevalent practice to arrive at final premium after calculating discount on the erstwhile tariff, so the discount is generally termed as de-tariff discount, which include all kind of good feature discounts filed with the Authority.

14. **Decision on charge no.3**

At para 6.1.3 of the F&U document of the products referred, the insurer has not provided any details on the permitted extent of variation but has only stated that the

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authority to deviate from guide rates will be at corporate office level. As such, the understanding of the insurer on having permission for any range/extent of deviation at corporate office level is not correct. Further, in the same document at another Para no.6.1.2, in its reply to the point on 'applicability of rates and terms quoted to individual clients can vary from the tariff rates and terms', insurer mentioned as 'not applicable' which clearly indicates that insurer has no intention to vary the rating for individual clients.

However, it is noted that insurer has filed revised discounting structure with Authority on 3<sup>rd</sup> October, 2018 under F&U procedure explicitly mentioning all discounts in the technical note and assured to ensure compliance to rating structure filed under F&U guidelines.

The insurer is advised not to use any other term other than those referred in the F&U document while giving information on discounts offered to customers. Also, the insurer is advised to follow the rating of the risks as per the F&U approval and any deviation noticed herein after would be viewed seriously.

**15. Summary of Decisions:**

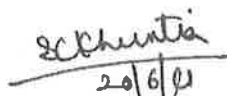
Charge No.	Violation of Provisions	Decision
1	Regulation 9 of IRDAI (Protection of Policyholders Interest) Regulations, 2002	Advisory
2	Regulation 9 of IRDAI (Protection of Policyholders Interest) Regulations, 2002	Charge not pressed
3	File and Use guidelines	Advisory

**16. Further,**

- i. The Order shall be placed before the Board of the general insurer in the upcoming Board Meeting and the general insurer shall provide a copy of the minutes of the discussion.
- ii. The general insurer shall submit an Action Taken Report to the Authority on direction given within 90 days from the date of this Order.

**17.** If USGI 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.

Place: Hyderabad  
Date: 20/06/2019

  
(Dr. Subhash C. Khuntia)  
Chairman