

Ref: IRDAI/NL/ORD/MISC/110/05/2023

Order in the matter of Show Cause Notice issued to M/s Acko General Insurance Ltd.

Based on the

- (i) Show Cause Notice (SCN) reference no. IRDAI/NL/SCN/MISC/ACKO/028/2022-23 dated 14th June 2022 issued by the Insurance Regulatory and Development Authority of India ('the Authority' or 'IRDAI') in respect of advertisements released by M/s Acko General Insurance Ltd.
- (ii) M/s Acko General Insurance Ltd. ("AGIL", "Insurer" or "the Company") response dated 20th July 2022 to the aforesaid SCN.
- (iii) The submissions made by AGIL during the Personal Hearing held on 11th April 2023 at IRDAI Hyderabad office.

1. Background:

1.1 The Authority has show caused the Insurer vide notice dated 25/07/2019 on violation of requirements under IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 (hereinafter referred as said Regulations) and Master Circular issued thereunder. After personal hearing, the Authority has issued an order dated 24th Jan, 2020. The order, interalia, levied a penalty of Rs. 1 crore under Section 102 of Insurance Act, 1938 for charge 2 on "Advertisement of Premium of Rs.2299/-". AGIL contested the order at Securities Appellate Tribunal (SAT) and SAT has quashed the IRDAI order in so far the charge No.2, is concerned. SAT further remitted the matter to the Authority to pass a fresh order in accordance with the law in light of the observation made after giving an opportunity of hearing to the applicant.

1.2 Accordingly, the Authority has issued a fresh SCN dated 14th June 2022 for violation of provisions in respect of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 (hereinafter referred as said Regulations) and Master Circular issued thereunder. AGIL vide letter dated 20th July 2022 has submitted their response to SCN and requested for personal hearing. As requested by AGIL, personal hearing was granted to AGIL on 11th April 2023 before a panel of two Whole Time Members of the Authority viz Sh P.K.Arora, Member(Actuary) and Sh Rakesh Joshi, Member(F&I)

1.3 The following officials attended the personal hearing:

Representatives of AGIL:

1. Mr. Sanjeev Srinivasan, CEO & MD
2. Ms. Karishma Desai, Chief Compliance Officer
3. Mr. Biresh Giri, Appointed Actuary

The following officials from IRDAI were present in the personal hearing:

1. Shri Ramana Rao, CGM, Non-Life Department
2. Shri D.S.Murthy, GM, Non-Life Department
3. Shri M Madhusudhan, DGM, Non-Life Department
4. Shri Pradeep Kumar Singh, AGM, Non-Life Department

1.4 The submissions made by AGIL in its letter dated 20th July 2022 and during the personal hearing on 11th April 2023 have been considered by the Authority.

2. The charges in the SCN, submissions of the insurer and decisions of the Authority are given hereunder:

2.1 Charge:

2.1.1. The insurer has released and filed the following advertisements on car insurance premium under the category 'Invitation to Inquire' as defined under para 2.2.1 of Master circular:

S No	Advertisement Release date	Advertisements UIN	Advertisement Content
1	Jul-Aug 2018	i.157NAD201819039ENG	Car Insurance starting at Rs.2299/-
		ii.157NAD201819056ENG	
		iii.157NAD201819064ENG	
		iv.157NAD201819067ENG	
2	June-July 2019	i.157NAD201920078ENG	Insure your i10 starting at Rs.2449/-
		ii.157NAD201920104HIN	

Regarding advertisements on 'Car insurance starting at Rs.2299/- ', it is observed from the premium illustration provided by the insurer, premium of Rs. 2299/- is for private car package policy with assumption of IDV of Rs.1,00,000/-, NCB 50% and engine capacity not exceeding 1000 CC. However, in the advertisements, pictures of Sedan type cars are depicted which normally have cubic capacity of engine exceeding 1000 CC and for such private cars the prescribed third party premium starts from Rs. 2,863/- and not as illustrated by insurer.

Regarding advertisements at S.No. 2 on Hyundai i10, it is observed that Hyundai i10 comes with engine capacity more than 1000cc and hence, the prescribed third party premium was Rs. 2863/-. Hence, the claim of the Insurer that the premium for package policy starts from Rs. 2449/- is incorrect. In this regard, the Insurer has accepted vide their email dated 30th October 2019 that the premium advertised was not correct for the car make and model depicted in the advertisements.

In view of the above, the insurer has violated the provisions of Regulation 12 read with 2(d)(iii) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Clause 3.3.1.1 of Master Circular ref. IRDA/Life/CIR/MISC/147/08/2015 dated 13th August 2015.

2.2 Summary of Insurers' submissions

2.2.1 The submissions by AGIL w.r.t. advertisements (UIN's: 157NAD201819039ENG, 157NAD201819056ENG, 157NAD201819064ENG, 157NAD201819067ENG) with content "Car insurance starting at Rs.2299/- "are as under:

- a) There are certain variants of Sedan and SUV cars available in the market with an engine capacity of less than 1000 CC for which the premium band stated in the advertisement would be applicable. (Ex: Sedan variants - **Volkswagen Ameo, Mahindra E-Verito** & SUV variants – **Hyundai Venue, Ford Ecosport**).
- b) Advertisement contains general information and falls under "**invitation to inquire**" category with the intent of creating a desire to inquire further about the product. The said advertisements were intended to merely communicate general information on the premiums available from the company and create a desire in prospects to inquire further about the company's products for the prospect's vehicle.
- c) Statement "**starting @ just Rs. 2299**" is generally understood that premium starts at 2299 and can go higher. The starting premium quoted in the advertisements was based on the lowest CC model available in those segments. Nowhere, it is indicated that the premium of Rs.2299/- is fixed or guaranteed one.
- d) "**Get quote**" tab provided in the advertisement would direct the customers to a web-page, which allows prospects to calculate premium amount based on the information provided by the customer pertaining to vehicle such as car make, model, IDV, year of manufacturing, location etc.
- e) Advertisements clearly stated that "Terms & Conditions apply", which indicate customers were sufficiently aware that purchase of any motor insurance products, including the cost of such product, would be subject to other terms and conditions which may affect their decision to purchase the product.
- f) Hence, the "Get Quote" tab and the "terms and conditions" were added by the Company so that the customer could get the full details of the policy before buying it and could make a conscious decision.

- g) No monetary disadvantage was caused to any policyholder as the insurance premium ultimately payable by a customer is based on the vehicle details submitted, and strictly calculated in accordance with the company's filings made with the Authority.
- h) No actual or quantifiable or prejudice was caused to the policyholders or even reported to be caused due to these advertisements.
- i) The choice of pictures used in advertisements was solely intended to depict cars in the most commonly perceived and generic sense and were not intended to mislead in any manner.
- j) AGIL being India's first digital insurance company, advertise/market heavily via digital mediums to reach customers and therefore release heavy volume of digital advertisements and there could be few manual non intentional errors in the advertisements.

2.2.2 The submissions by AGIL w.r.t. advertisements (UIN's: 157NAD201920078ENG, 157NAD201920104HIN) with content "Insure your i10 starting at Rs.2449/- "are as under:

- a) Based on the previous query w.r.t. specific model/variant names of Hyundai i10 below 1000cc, company had communicated to Authority that it may have inadvertently contained a calculation error. However, there are certain variants of the Hyundai i10 having engine capacity 1000cc or less (Ex: Hyundai i10 Grand i10 LPG VTVT launched between 2013-2017, Global variants of Hyundai i10 which can be insured in India) and so these advertisements were not technically misleading to the consumers.
- b) Advertisement falls under "**invitation to inquire**" category with an opportunity to inquire further about the product details and avail & explore all necessary information before making any purchase.
- c) "**Get quote**" tab allows prospects to know the exact premium amount based on the information provided by the customer such as car model and other factors relevant to the car.
- d) Statement "insure your i10 starting @ just Rs. 2449/-" is generally understood that premium starts at Rs. 2449/- and can go higher. The starting premium quoted in the advertisements was based on the lowest CC model available in Hyundai i10 segment. Nowhere it is indicated that the premium of Rs.2499/- is fixed or guaranteed one.
- e) Though there are variants of Hyundai i10 with engine capacity of 1000cc or less, but as these are not that popular in India, AGIL immediately rolled back these advertisements on Authority's observation.
- f) Customers who have purchased Hyundai i10 policy during the period of these advertisements have only purchased it at the correct price.
- g) No complaints were made by any of the Company's existing or potential customers regarding the advertisement. Further no actual or quantifiable harm or prejudice was reported due to these advertisements.

h) There was no increase in inquiries or sale of insurance pertaining to Hyundai i10 cars during the brief period the advertisements were published.

2.2.3 Finally, Acko based on above submissions has pleaded that neither advertisements were misleading nor was there any intent of Company to mislead its customers and Company has not made unfair and misleading communication in referred advertisements. Further they submitted that the AGIL is in compliance of Regulation 12 read with 2(d)(iii) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Clause 3.3.1.1 of Master Circular ref. IRDA/Life/CIR/MISC/147/08/2015 dated 13th August 2015, and therefore requested Authority (IRDAI) to consider all the submissions made by the company and close the observations.

2.3 Observations

2.3.1 The submissions by AGIL that neither advertisements were misleading nor there was any intent of Company to mislead its customers are not tenable.

2.3.2 In relation to the advertisements on 'Car insurance starting at Rs.2299/- ', even though technically there are few variants/models of sedan private cars (Volkswagen Ameo, Mahindra E-Verito) with engine capacity of less than 1000 CC, the starting premium shown in the advertisement will be applicable with further conditions of IDV of Rs.100000 and NCB of 50%. These advertisements fall under extreme/exceptional scenarios, as the starting premium is applicable for very few models with certain conditions on IDV, NCB and engine capacity.

2.3.3 Further the images shown in these advertisements are of luxurious Sedan cars and are not of Volkswagen Ameo, Mahindra E-Verito. The images in the advertisements are misleading and communications are not clear and not fair.

2.3.4 In relation to the advertisements on 'insure your i10 starting at Rs.2499/-', even though there are few models of Hyundai i10 (Ex: Hyundai i10 Grand i10 LPG VTVT launched between 2013-2017, Global variants of Hyundai i10 which can be insured in India) with engine cubic capacity less than 1000 CC, the starting premium shown in the advertisement will be applicable with further conditions of IDV of Rs.100000 and NCB of 50%. These advertisements also fall under category of extreme/exceptional scenarios.

2.3.5 In view of the above, the advertisements issued by insurer gives information in misleading manner and communications made are not clear. However, the following submissions made by insurer are considered while deciding upon the charge:

2.3.5.1 there are few variants/models of sedan private cars (Volkswagen Ameo, Mahindra E-Verito) with engine capacity of less than 1000 CC and the prescribed third party premium is less than Rs. 2299/- in such cases.

2.3.5.2 hyundai I10 also has some variant with 999 CC and the prescribed third party premium is less than Rs. 2499/-.



2.4 Decision on Charge

Taking into consideration that technically there are few variants for which the starting premium quoted in the advertisement is applicable, the Insurer is hereby cautioned to exercise care and diligence in releasing advertisements and not to quote features/benefits that are applicable under extreme/exceptional scenarios. Insurer is further directed to strictly comply in letter and spirit with the relevant IRDAI (Insurance Advertisements and Disclosure) Regulations, and Circulars issued thereunder.

Further,

- (i) The Order shall be placed before the Board of the insurer in the upcoming Board Meeting and the 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 directions given within 90 days from the date of this Order.
3. If AGIL 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.


Rakesh Joshi
Member (F&I)


P.K. Arora
Member (Actuary)

Place: Hyderabad
Date: 22nd May, 2023