



Ref: IRDA/TPA/MISC/ORD/140/07/2016

FINAL ORDER

In the matter of M/s. Happy Insurance TPA Services Pvt. Ltd.

Based on the reply to the Authority letter dated 13-05-2016 and submissions made during Personal Hearing Chaired by Mr. P.J. Joseph, Member (Non-Life), IRDAI, on 01-07-2016 at 14.30 hrs. at the office of Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad,

The Authority vide letter dated 13-05-2016 had communicated observed deficiencies in the functioning of registered TPA namely; M/s. Happy Insurance TPA Services Pvt. Ltd. (Happy TPA / the TPA) and called for the reasons as to why, their application for renewal of Registration submitted vide letter dated 10-10-2015 shall not be rejected. Further, in deference to the entity's willingness a personal hearing was accorded on 01-07-2016.

The TPA Company was represented by their CEO, Dr. Vineet Kr Mittal.

On behalf of the Authority Mrs. Yegna Priya Bharath, Joint Director (Health), Mr. DVS Ramesh, Deputy Director (Health-Policy), Mr. Bhaskar Khadakbhavi, Assistant Director (Health – TPA) and Mr. K. Sreekanth, OSD, were present in the personal hearing.

The submissions made by the TPA in their written replies vide letter dated 18-05-2016 (wrongly typed as 18-06-2016) to the Authority's letter dated 13-05-2016 and also those made during the course of personal hearing were taken into consideration.

The findings on explanation offered by Happy TPA to the issues raised in the Authority's letter and the decisions are as follows;

1. Point No. 2:

Director having Medical Qualification;

As per Happy TPA Dr. Asha Manohar Joshi is a Director of TPA Company having required medical qualification.

- a) As per submission of Happy TPA, Dr. Asha Manohar Joshi had registration as Medical Practitioner with Maharashtra Medical Council, Bombay (MMC) vide Registration No. 24764.
- b) However, it was noted from records of MMC that, the registration of Dr. Asha Joshi was valid only till 28-02-2007.

This non availability of valid registration with MCI / MMC for the Director having Medical Qualification is in **Violation** of Reg. 3 (5) of IRDA (TPA – Health Services) Regulations, 2001. This attracts provisions of Reg. 13 to be read with 14 (8) of IRDA (TPA – Health Services) Regulations, 2001.

Reply of Happy TPA:

The TPA submitted that Dr. Asha Joshi is registered with MCI which is a prime body for registration of doctors.

Decision for Point No. 2:

As per Section 21 (1) of the Indian Medical Council Act, 1956 the Indian Medical Register shall contain the names of all persons who are for the time being enrolled on any state medical register. As per Sec. 23 of Maharashtra Medical Council Act, 1965 (MMC Act) every Registered Medical Practitioner shall be required to renew its registration with MMC every five years thereafter.

As it is observed that the registration of Dr. Asha Joshi with MMC was valid only till 28.02.2007, the submission of TPA cannot be considered. Happy TPA is cautioned for this procedural lapse of not maintaining valid registration, pertaining to its Director having medical qualification.

2. **Point No. 3:**

Change in shareholding pattern;

- a) Happy TPA without prior approval of the Authority, on two different occasions had changed its shareholding pattern up to 61.20% by issuing of shares to new shareholders and by way of infusing capital amounting to Rs. 61.20 lakhs. This is in **Violations** of Reg. 3 (7) of IRDA (TPA – Health Services) (First Amendment) Regulation, 2013.
- b) Further, the said change in shareholding pattern in stipulated Form TPA-5 within 30 days as specified is not informed to the Authority which is in violation of Reg. 3 (7) of IRDA (TPA – Health Services) (First Amendment) Regulation, 2013

The **Violations** as mentioned in Point (a) and (b) above attracts provisions of Reg. 13 to be read with 14 (8) of IRDA (TPA – Health Services) Regulations, 2001.

Reply of Happy TPA:

The TPA submitted that they are a new TPA and considering the pressure of business procurement and servicing the policy holders, it missed out on timely submission and guidelines were overlooked. It further submitted that it was informed to the Authority as part of annual report.

Decision on Point no. 3:

On the Charge that the TPA changed the shareholding pattern without prior approval of the Authority, on two different occasions (changed its shareholding pattern up to 61.20%) the submissions of the TPA, that they overlooked but informed the Authority as part of annual report are not acceptable. By implementing the change in shareholding pattern without prior approval of the Authority, the TPA had not given opportunity to carry out complete due diligence of new shareholders. In view of this, Happy TPA is warned for the within referred violation..

3. **Point No. 4:**

Change in Directors:

The Authority had issued fresh registration to Happy TPA, which was valid from 19-11-2012 to 18-11-2015. As per RoC Records, after grant of fresh TPA registration, Happy TPA had appointed following Directors;

Sr. No.	Name of Director	Date of Appointment
1	RAJIV PODDAR	02-09-2013
2	SHASHANK MANOHAR JOSHI	22-03-2013
3	RAJAT KUMAR SHARMA	22-03-2013
4	Swaminathan Sundrarajan Mittur	07-06-2013
5	ASHA MANOHAR JOSHI	11-07-2013

This issue about intimation to the Authority in specified format and within time period was raised with Happy TPA. Happy TPA only after raising the query had submitted the said Form TPA – 6 for the respective Directors.

It is observed that Happy TPA had submitted these forms after expiry of about three years from the date of appointment of new directors on the Board of their Company, which is in violation of Reg. 8 (1A) of IRDA (TPA – Health Services) (First Amendment) Regulation, 2013. This **Violation** attracts provisions of Reg. 13 to be read with 14 (8) of IRDA (TPA – Health Services) Regulations, 2001.

Reply of Happy TPA:

The TPA submitted that it is a new TPA and considering the pressure of business procurement and servicing of the policy holders, it had missed out on timely submission for the same and guidelines were overlooked. It further submitted that it was informed to the Authority as part of annual report.

4. Point No. 5:

Delay in submission of Annual Report:

It was noted from the records that, Happy TPA for last three financial years is violating the timelines specified for submission of Annual Report (AR).

A.R. For FY 2012-13: Advisory letter dated 01-05-2015 was issued by the Authority in the matter of delay in submission of AR, cautioning the TPA about the same.

Happy TPA vide letter dated 12-05-2015 (wrongly typed as 12-05-2012) had acknowledged the same and assured compliance in future.

With reference to delay in submission of annual report for the year 2013-14 and 2014-15, it was noted that, though the Authority vide various e-mails had given directions for timely submission of Annual Report, the TPA Company failed to submit their annual report within specified time and also failed to adhere with guidelines of the Authority.

In spite of advisory to Happy TPA in the matter of submission of annual report within specified time lines the TPA Company violated the provisions of Reg. 24 (2) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of Happy TPA:

The TPA submitted that it being a new TPA had got delayed in timely compliance and overlooked the same from it's side. Further, the TPA submitted that, they had complied with provisions of said regulations for FY 2015-16.

5. Point No. 7:

Non submission of documents: The Authority vide point no. 8 (b) of letter dated 16-02-2016 had requested to submit certificate from auditors about foreign / NRI / PIO shareholding in Happy TPA Company if any. The said certificate was not submitted by the TPA Company.

This non submission documents required by the Authority is not a professional manner of dealing with regulatory compliance issues and is in **Violation** of Reg. 21 (1) to be read with 25 (3) of IRDA (TPA – Health Services) Regulations, 2001.

Reply of Happy TPA:

In response the TPA submitted that it had never looked at the requirement from the angle that was looked at by the Authority. The auditor's report was self-explanatory in respect to foreign /NRI/IPO shareholding. Annual Certificate in the matter of Working Capital in form TPA-6C is submitted along with Annual report for FY 2015-16.

Decision on Point no. 4, 5 and 7:

Submissions of the TPA that, they overlooked the regulatory provisions are not acceptable. Happy TPA is warned for not adhering with the regulatory provisions.

6. **Point No. 6:**

Engagement of CEO, Key Management person of Happy TPA in other insurance or insurance relative activity:

Happy TPA vide point no. 8 of letter dated 22-02-2016 had submitted a Certificate to the Authority about non-engagement in other insurance or insurance related activity.

However, it is observed that;

- a. Ms. Banya Dutta was CEO of Happy TPA from inception of the TPA Company till May 2015. It was noted that Ms. Banya Dutta, is an insurance agent and has been holding post of either Chief Insurance Executive (CIE) or Specified Person (SP) of Corporate Agent namely M/s. Bandhan Agro Industries.
- b. As per records Ms. Pratima Gosh, is HoD Corporate Affairs and HR of Happy TPA and is an individual insurance agent of M/s. Tata AIA Life Insurance Co. Ltd. (Tata Life) holding IRDA license no. 10349326 valid from 30-12-2014.
- c. This direct engagement of CEO, Key Managerial Person of the TPA Company in insurance or insurance related activities is in **Violation** of Reg. 2(d) of IRDA (TPA – Health Services) Regulations, 2001. Further, furnishing of wrong / misleading undertaking during processing of application for renewal of TPA registration is not a professional manner of dealing with regulatory compliance issues and is in **Violation** of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001.
- d. The above observed **Violations** attracts provisions of Reg. 13 to be read with 14 (8) of IRDA (TPA – Health Services) Regulations, 2001.

Reply of Happy TPA:

In response the TPA submitted that this information about Ms. Banya Dutta and Pratima Ghosh were not available with them and that both of them are no longer working with the TPA.

Decision on Point no. 6:

In view of the submission made by the TPA, the charges are not pressed, however the TPA is cautioned for not adhering with the regulatory provisions.

7. **Point no. 1:**

Happy TPA has not complied with working capital requirements, details are as under;

Amt Rs. In Lakhs				
SR. No	Financial Year	Current Asset	Current Liability	Working Capital (C-D)
A	B	C	D	E
1	2012-13	95.99	3.87	92.12
2	2013-14	93.37	21.03	72.34
3	2014-15	66.20	33.36	32.84

Violation of Reg. 3 (4) of IRDA (TPA – Health Services) Regulations, 2001. This attracts provisions of Reg. 13 to be read with 14 (8) of IRDA (TPA – Health Services) Regulations, 2001. The **above is in violation** of Reg. 3 (4) of IRDA (TPA – Health Services) Regulation, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of Happy TPA:

- a. Happy TPA vide letter dated 18-05-2016 (wrongly typed as 18-06-2016) had submitted that *“We are a new TPA and this is our first renewal. We were under constant pressure of acquiring new business and extending excellent service to the policy holders unmatched in the industry. We had missed out on the regulatory guidelines but assure you to comply with the same in future. In this regard we have already complied with the working capital requirement..”*
- b. During personal hearing it was submitted that, Happy TPA was not aware about regulations and computation of working capital norms. For FY 2015-16 they claim to have complied with working capital norms. It was further submitted that, the Financial Report submitted vide letter dated 18-05-2016 (wrongly mentioned as 18-06-2016) had missed out on certain journal entries which were rectified by the Auditors and re-submitted vide e-mail dated 29-06-2016 as part of Annual Report for FY 2015-16.

Decision for Point No. 1:

Happy TPA along with their letter dated 18-05-2016 had submitted Audited Financials for financial year 2015-16, the working capital details as per said version of Audited financials are as under;

Amt Rs. In Lakhs				
SR. No.	Financial Year	Current Asset	Current Liability	Working Capital (C-D)
A	B	C	D	E
1	2015-16	119.63	72.55	47.08

It was noted that, Happy TPA has submitted two different versions of Audited Financials for FY 2015-16 and both the Audited Financials are signed on 11-04-2016. The Auditors have not mentioned exact reasons for change in audited financials in the second version of Audit Report. On examining the submissions of the TPA that some journal vouchers are missed out, it is observed that they may only relate to computation of working capital.

As per second version of Audited Financials the TPA has booked Rs. 1 Crore as long term borrowing, as a non-current asset. During personal hearing it is submitted that directors of TPA Company had brought in this money. Out of this Rs. 1 Crore the TPA had shown Rs. 55.12

Lakhs as short term advances to others which is booked as current assets and has reduced its other current liability by Rs. 44.48 Lakhs. Thus as per second version of Audited Financials which was submitted on 29-06-2016 working capital of Happy TPA was shown as Rs. 147.08 Lakhs.

This action of the TPA, submitting two different versions of audited financials which are signed on same date but with different amounts is not acceptable. Therefore, the submissions of the TPA Company in this regard deserve no consideration. Furthermore, the TPA has been consistently failing in meeting the Minimum Working Capital Requirements as stipulated under the Regulations as amended from time to time.

This is in Violation of Reg. 3 (4) of IRDA (TPA – Health Services) Regulations, 2001, which is reproduced as under;

– *At no point of time of its functioning the TPA shall have a working capital of less than Rs. 1 Crore;*

Explanation – For the purpose of this sub-regulation “working capital” means the difference between the aggregate of the current assets and current liabilities as on the date of reckoning.”

It is further observed that there is no material matter to consider the submissions of the TPA Company. In view of this, and as per provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001, the Authority rejects the application for renewal of TPA license No. 034 filed by M/s. Happy Insurance TPA Services Pvt. Ltd.

The following directions are to be complied with, in view of rejection of application for renewal of TPA License No. 034 of Happy TPA;

- a. Happy TPA is advised to remove the word TPA from name of its Company and that they shall not do TPA business.
- b. All insurers who are having TPA agreement with Happy TPA, shall immediately take such alternative steps including appointment of another TPA, if any, as may be necessary to continue to cater to the policy holders served by Happy TPA.
- c. Happy TPA shall immediately submit the data collection and the books, records or documents etc., relating to the TPA business carried on by it to respective insurers.
- d. Happy TPA shall cooperate with insurance companies in making suitable alternate arrangements to service the policy holders in respect of whom the policies are in force.
- e. Happy TPA shall, reconcile and close the accounts with concerned insurance companies and network providers, if any.

All the insurance companies that have engaged the services of Happy TPA shall submit an action taken report to Joint Director (Health), IRDAI in respect of the above directions within three months from the date of this order.

Place : Hyderabad
Date : 19-07-2016



P.J. Joseph
Member (Non-Life)