



IRDAI/ INT/ MISC/ ORD/12/ 01/ 2020

8<sup>th</sup> January, 2020

**Order under Section 14(1) of the IRDA Act, 1999 in the matter of – Reinsurance placement of crop insurance for TATA-AIG General Insurance Company Ltd. – M/s Confiance International Reinsurance Brokers L.L.C, Labuan, Malaysia and M/s Globe Master Consultants, Jaipur, India**

**1. Brief facts of the case**

- a. The Authority received an email sent by Chief Risk & Compliance Officer, Tata AIG General Insurance Company Ltd on 21.12.2018 informing the fraud committed against its company with regard to the placement of reinsurance protection through M/s Unison Insurance Broking Services Pvt Ltd.
- b. M/s Unison Insurance Broking Services Pvt Ltd, India (herein after referred to as 'broker') is a Composite broker registered by Insurance Regulatory and Development Authority of India (herein referred to as "IRDAI"). Unison Insurance Broker had made Facultative reinsurance arrangements to support crop reinsurance risk cover of Tata AIG General Insurance Company (herein after referred to as 'Tata AIG'), India for the financial year 2018-19, through M/s Confiance International Reinsurance Broker L.L.C, Malaysia (herein after referred to as Confiance) involving their Indian representative Global Master Consultants (GMC), Jaipur.
- c. Mr. Steven L Chetty is the MD of Confiance in Malaysia and Dr. Mukesh Ranwan and Mr. Sachin Agarwal are the representatives of Confiance heading GMC in India.
- d. Confiance vide their email dated 12<sup>th</sup> July, 2018 and 31<sup>st</sup> July, 2018 provided the best terms for placement with two reinsurers:
  - i. Tokio Marine Kiln Syndicate 510 (TMK) (rated A+, strong by Standard & Poor's); and
  - ii. Best Meridian Insurance (BMI) (rated A-Excellent, by AM Best)
- e. As per Market Practice, the reinsurance placement was confirmed with copies of signed slips of the participating Re-insurers (one slip signed and stamped by TMK on the letter-head of ARB International and another one from BMI, US).
- f. In due course, the broker remitted the reinsurance premium of INR 1.13 crores and INR 6.17 crores respectively to Confiance, after deducting brokerage on 25<sup>th</sup> September 2018 and 22<sup>nd</sup> October 2018 respectively.

- g. In November 2018, it has come to the knowledge of Tata AIG officials that TMK is not participating in the facultative placement of its crop business. Immediately Tata AIG contacted the General Counsel of TMK with a copy of the TMK signed Reinsurance slip provided by Confiance. After checking internally, TMK confirmed that they had not provided any support for the Re-insurance and the slip purportedly signed by TMK was not issued by them.
- h. Tata AIG contacted BMI and BMI confirmed that it is not on risk and BMI Global and its affiliates or subsidiaries have not quoted, underwritten, signed or executed any reinsurance involving Tata AIG. BMI further informed that it is opening an investigation regarding the original source of this document and confirmed that BMI does not accept or recognize being bound to this coverage.
- i. TATA AIG took up the matter with the broker. The broker upon examination came to the conclusion that the slips provided by GMC, the Indian Representative of Confiance are fraudulent slips.
- j. Mr. Steven L Chetty, MD, Confiance vide his email dated 20.11.2018 to the broker, expressed his distress on the situation/ forged documents and informed the broker that Confiance is not aware or authorized such action. Mr. Steven further informed the broker that the funds are sitting in the accounts of Confiance, for a risk which they did not officially place. Mr. Steven arranged for transfer of funds to the broker and the broker in turn refunded the premium to Tata AIG.
- k. Unison Insurance broker lodged a complaint on 29.11.2018 with the Joint Police commissioner, Economic offences wing, Mumbai against Dr. Mukesh Ranwan, Mr. Sachin Agarwal of Global Master Consultants and Mr. Steven L Chetty, Confiance and served a legal notice to GMC and Confiance on 31.12.2018
- l. TATA-AIG made a complaint to IRDAI against Unison Insurance Broker Pvt Ltd on 21.12.2018 alleging fraud in reinsurance placement pertaining to crop insurance in Rajasthan cluster for Kharif 2018. The Authority sought a report from Unison Insurance Broker on 26.12.2018. Unison replied to Authority vide their letter dated 03.01.2019 explaining how Unison were also defrauded and that they have also made a complaint to Economic Offences Wing, Mumbai Police.

## **2. Role of Confiance – Foreign Regulatory Authorities**

- a) The Authority took up the matter with Governor Bank Negara, Malaysia and Director General, Labuan Financial Services Authority, Labuan vide letters dated 8<sup>th</sup> February, 2019. It brought to their notice the fraud committed by Confiance.
- b) The Authority received an e-mail dated 11<sup>th</sup> February, 2019 from Customer Relation Unit, Labuan informing the Authority that the letter has been escalated to the supervision and monitoring team for further action.



- c) A similar email dated 11<sup>th</sup> February, 2019 was received by the Authority from Bank Negara, Malaysia informing that complaint has been escalated to Governor's office for information and further action.
- d) On 19<sup>th</sup> February, 2019 Director, Supervision & Monitoring, Labuan FSA informed the Authority that Letter informing that they will look into the matter and examine and monitor their conduct. They further requested the Authority to share the outcome of the investigation and legal action taken against Confiance and its Managing Director, Mr Steven L Chetty in India.

### **3. Legal Status of Confiance**

- a) Confiance International Reinsurance broker LLC is incorporated under the Labuan Companies Act, 1990. Company License Number is LL10988 and is authorized to transact Reinsurance broking business under the Labuan Financial Services & Securities Act, 2010. License Number: BS201510.
- b) Confiance e-mail shows an India mobile contact number.
- c) Unison utilized the services of the foreign broker, Confiance for placement of reinsurance with reinsurers outside India. To utilize the services of the foreign broker, Unison corresponded and dealt with Mr. Steven L. Chetty, Founder and MD of Confiance.
- d) Confiance is a foreign broker based in Malaysia. IRDAI does not have jurisdiction over foreign entities. Nevertheless, the conduct of the foreign reinsurance broker indulging in forgery is serious and cannot be ignored, which can have adverse repercussions not only in India but in the entire reinsurance market globally..

### **4. Direction of Authority**

- a) Considering the facts stated above and the involvement of Confiance – foreign reinsurance broker in the chain of events and its implication in the reinsurance market in India, It is established that the cession of reinsurance premium, issuance of the forged reinsurance slip and subsequent refund of the reinsurance premium by Confiance constitutes a serious and grave offence. Confiance betrayed the trust of the reinsurance market and caused damage to the financial strength of TATA-AIG in India which cannot be ignored by the IRDAI. The IRDAI is of the firm view that the actions of Confiance were deliberate and harmful. Such actions cannot under any circumstances be tolerated as it put the existence of general insurance companies in peril. During the entire episode Confiance made no efforts to clarify its stance and simply return the premium. Which in turn proves that Confiance intentionally committed this act by not placing the risk with the foreign reinsurers and issued forged reinsurance slips to the Indian Reinsurance Broker.



- b) Therefore, considering all facts of the case especially the role of Confiance and GMC their Indian representative in this act, the Authority in exercise of the powers vested in the Authority as per the provisions of Section 14(1) of the IRDA Act, 1999 directs Indian insurers and its offices overseas, Indian reinsurers and its offices overseas, foreign reinsurance branches in India and Indian insurance intermediaries not to engage into any business activity with Confiance.
- c) Since Mr Steven Chetty, MD, Confiance played an active and primary role in this act, he is barred from doing insurance/ reinsurance business in India and Indian insurers and its offices overseas, Indian reinsurers and its offices overseas, foreign reinsurance branches in India and Indian insurance intermediaries are directed not to engage in any business activity with Mr Steven Chetty, MD, Confiance.
- d) Dr. Mukesh Ranwan and Mr. Sachin Agarwal directors of GMC who are the representatives of Confiance in India are barred from doing any insurance/ reinsurance business in India. Indian insurers and its offices overseas, Indian reinsurers and its offices overseas, foreign reinsurance branches in India and Indian insurance intermediaries are directed not to engage in any business activity with Dr. Mukesh Ranwan, Mr. Sachin Agarwal directors of GMC and with M/s Global Master Consultant.

Place: Hyderabad

Date: January 8, 2020



**(Sujay Banarji)**

**Member (Distribution)**