



IRDAI/HLT/MISC/ORD/074/06/2019

Order in the matter of M/s United India Insurance Company Limited

Based on the

- a) Show Cause Notice (hereinafter referred to as "SCN") (Reference No. 343/IRDAI / HLT/Complaint/MTNL-UIICL/2018-19 dated 08th November, 2018) in connection with the complaint received from Mahanagar Telephone Nigam Limited (herein after referred to as MTNL), alleging that there was restriction of claims to the premium amount under group Health Insurance Policy issued by United India Insurance Company Limited (hereinafter referred as "the Insurer" or "Company").
- b) Response to the above SCN by the Insurer vide letter dated 20th November 2018 forwarded with covering letter Ref: UIIC: HO:CMD Sect:072: 2018-19 dated 23rd November 2018.
- c) Submissions of the Insurer and MTNL during Personal Hearing held on 03rd June 2019, taken by the Chairman of the Authority at its office at Hyderabad.

Background

- 1) The Authority is in receipt of a copy of complaint addressed to Department of Financial Services, Govt of India (vide Ref no: MTNL/CO/Pers/Pending Cases/Pol No.7989/2015-16 dated 08th March 2017) from MTNL. It is alleged by the complainant, MTNL that there was restriction of claims to the premium amount under group health insurance policy issued by UIICL for the period of three months i.e. 10.03.2015 to 09.06.2015.
- 2) Authority sought information/clarifications from the insurer and the responses of the insurer were reviewed.
- 3) On examining the submissions, a Show-Cause Notice (SCN) dated 08th November 2018, was issued to the insurer for violation of the provisions of IRDA (Health Insurance) Regulations, 2013.
- 4) Insurer replied to the SCN on 20th November, 2018 and requested for a personal hearing.
- 5) The complainant, MTNL was also asked to be present in the personal hearing.
- 6) The personal hearing was held on 03rd June 2019. The insurer was represented by Mr. Girish Radhakrishnan, CMD, UIICL and Mr. Sanjay Joshi, Chief Manger, H.O, UIICL. MTNL was represented by Mr. Milind Vijay Joshi, Director(Fin) and Mrs. Meena Chauhan Sr. General Manager, Corporate Office. On behalf of Authority Mr. Suresh Mathur, ED (Health), Mr. DVS Ramesh, General Manager (Health), Mr. S Pavan Kumar, OSD (Health Approvals) and Mrs. Manju Choudhary, AM(Health-TPA) were present in the personal hearing.

SCN

- 7) The findings on submission made by the insurer on the issues raised in the SCN and the decisions thereon are as under:

Charge:

- 8) Not taking prior clearance of the Authority for the subsequent revision or modification (capping of claims to the extent of premium) of the approved Health Insurance product and marketing a product without prior clearance of the Authority is in violation of Regulation 4(a) read with 4(b) of IRDA (Health Insurance) Regulations 2013.

Submissions of the insurer:

- 9) The Insurer submitted that the complainant, MTNL could not finalize the tender process for renewal of group health insurance policy which was due on 09th March 2015 and that MTNL requested the Insurer for an extension of the policy for **three** months on proportionate premium (pro rata) basis. Initially the Insurer declined the request of MTNL, later, on MTNL's repeated insistence, the Insurer agreed to extend the same policy.
- 10) The insurer further submitted that since this extension was being agreed to on a "one off" basis, at variance with company's normal practice and to assist the insured MTNL to finalize their renewal process, the company proposed to do it on a condition that the claims payable during the extension period be capped at the level of premium paid. The insurer contested that MTNL agreed to these terms and the policy for three months' period was accordingly extended and this condition was also part of the policy schedule. However, subsequently, a regular renewal policy was issued for a year, from 10th June 2015 to 09th June 2016 on standard terms and conditions.
- 11) Insurer also submitted that the capping of claims to the extent of premium paid was a one-time agreement only which was done after detailed discussions between both the parties and with mutual agreement, by way of a supplementary agreement. Insurer confirmed that such capping on claims is not part of any yearly policy of MTNL (or indeed of any other client), but was a mutually agreed special and one off arrangement for extension of a policy beyond its normal expiry. MTNL chose to get the policy extended, fully aware of and agreeing to the terms and UIICL accordingly settled the claims as per these terms mutually agreed.
- 12) The insurer further confirmed that they did not modify the product.

Submissions of MTNL:

- 13) The Insurer incorporated a new condition while offering the renewal of the existing policy for which it had to initiate the tender process. As the tender process was taking some time to avoid disruption of the policy interim extension for three months was sought from the Insurer on existing terms and conditions. However, the Insurer unilaterally and without any express written consent



restricted the amount of claims up to the premium paid by it. It has resulted in outstanding claims amounting to Rs 2.25 Crores, which were incurred by MTNL. This material condition was never specifically mentioned and incorporated in the supplemental agreement signed by both the parties. The request of the MTNL to renew the policy for a period of nine months was not considered by the Insurer. Had it been considered, the policy renewal would have been in the normal manner of full one year.

- 14) MTNL contested that restricting the claims to premium amount defeats the very purpose of the contract of insurance and in fact by extension of the above policy, MTNL has paid the full premium amount on proportionate basis. It is further submitted that the contract of insurance would lose its character as such if claims are restricted to the premium amount that would tantamount to self-insurance by MTNL.
- 15) MTNL submitted that it has taken up the complaint with the Insurer and regularly followed up the same and requested the Authority to advise the Insurer to reimburse the said amount along with interest @ 18%.

Decision of the Authority:

- 16) On examining the submissions of the insurer and MTNL, the following are observed:
 - a) It is observed that there were extensive discussions between the parties (the Insurer and the MTNL) before renewal of the referred group policy for a period of three months. From the documents furnished by the Insurer, it is observed that an endorsement was made by officials of the Insurers on the letter of MTNL dated 09th March, 2015 agreeing to extend the policy for three months, by restricting the liability to the premiums paid. It is noticed that this endorsement was signed by the officials of the Insurer.
 - b) It is further observed that the letter dated 09th March, 2015 with the above referred endorsement has been acknowledged by MTNL, though, not specifically signed as a token of acceptance. In the supplementary agreement dated 10th March, 2015 entered into by both the parties, a reference was made to the letter dated 09th March, 2015 as the offer of acceptance letter and this letter was one of the enclosures of this supplementary agreement. It is further observed that the Group Health Insurance policy was issued to MTNL for a period of three months with an underwriter remark "*liability of UIIC restricted to premium paid as per acceptance letter dated 09th March, 2015*". Thus, MTNL had the knowledge of the imposition of restriction of liability, but did not raise the issue and signed the agreement.
 - c) It is noted that the product offered by the Insurer is "Group Health Policy" with UIN: IRDA/NL-HLT/UIII/P-H/V. I/236/13-14. The restrictive conditions imposed were not part of the terms and conditions of the said product which has been filed with IRDAI. This was also admitted by the Insurer in the



personal hearing. Thus, it is noticed that the insurer had offered a product which was not as per the terms and conditions filed with the Authority. Secondly, the Insurer has committed impropriety in restricting the liability to the premium received, thus, severely hampering the impact of the client's level of protection under insurance. Thirdly, it was improper on the part of insurer to offer the product for a period of three months, whereas, the tenure of the policy should generally be one year.

d) By marketing and offering the product with modified terms the Insurer has violated the provisions of Regulation 4(b) read with 4(a) of IRDA (Health Insurance) Regulations 2013.

17) Therefore, the Insurer is hereby imposed a penalty of Rs 1 lakh in terms of the provisions of Section 102 of Insurance Act, 1938.

18) The Insurer is also directed to ensure that every insurance product is offered and marketed as per the extant regulatory framework put in place and applicable.


19) The penalty of Rs 1,00,000 (Rupees One Lakh only) shall be remitted by the Insurer by debiting shareholders' account within a period of 45 days from the date of receipt of this Order through NEFT/ RTGS (details for which will be communicated separately). An intimation of remittance may be sent to Mr. DVS Ramesh, General Manager (Health) at the Insurance Regulatory and Development Authority of India, Survey No.115/1, Financial District, Nanakramguda, Hyderabad-500 032.

20) Further,

1) 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.

2) If the Insurer feels aggrieved by the decision of this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad
Date: 10/06/2019


10/6/19.
(Dr. Subhash C. Khuntia)
Chairman