



IRDAI/ INT/ MISC/ ORD/01/ 2020

8th January, 2020

Order under Section 42D, 102(b) of the Insurance Act, 1938 and Reg. 4, 30, 40(2), 48 of IRDAI (Insurance Brokers) Regulations, 2018 in the matter of – Reinsurance placement of crop insurance for TATA-AIG General Insurance Company Ltd. – Unison Insurance Brokers Pvt Ltd

1. Background

- 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 12th July, 2018 and 31st 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 RI 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 25th September 2018 and 22nd October 2018 respectively.

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- 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. Clarifications sought by the Authority

- a) The Authority took up the matter with Unison vide its letter dated 26th December, 2018 and 3rd January, 2019 seeking the views of Unison on the issues raised by TATA-AIG along-with documentary evidence. In response the broker submitted its reply on 3rd January, 2019, 7th February, 2019, 8th March, 2019 and 30th May, 2019.
- b) On examining the submissions made by the broker, it is observed that the broker has not complied with the applicable provisions of the Insurance Act, and Regulations/ guidelines/ circulars framed

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there under. The Authority issued a Show Cause Notice to Unison vide its letter dated 8th July, 2019 laying out the charges for the violation of the IRDAI (Insurance Brokers) Regulations, 2018. Unison submitted its response vide letter dated 26th July, 2019 and sought a personal hearing.

- c) In view of the request of Unison, a personal hearing on the Show Cause Notice was granted by Member (Distribution). The personal hearing was held on 30th September, 2019 in the office of the Authority in Hyderabad. The following officials were present during personal hearing:

On behalf of the Authority:

- Shri Sujay Banarji – Member (Distribution)
- Shri Randip Singh Jagpal –CGM (Intermediary)
- Shri K. Srinivas – AGM (Brokers)
- Shri Indradeep Sah – Assistant Manager (Brokers)
- Shri Manoranjan Prusti – Assistant (Brokers)

On behalf of Unison Insurance Brokers Pvt Ltd:

- Shri B.K. Sinha – Principal Officer
- Shri Amitesh Sinha – Director
- Shri Praveen Kalia – President & Director
- Shri D.B. Bindani – Compliance Officer

3. Violation and Decision of the Authority

1. Based on the charges levied against Unison in the SCN dated 8th July, 2019, response of Unison in its replies dated 3rd January, 2019, 7th February, 2019, 8th March, 2019, 30th May, 2019 and 26th July, 2019, the submissions made by Unison during personal hearing on 30th September, 2019 and further submissions made by Unison vide their letter dated 4th October, 2019 and 22nd October, 2019, the decision of the Authority with respect to each of the charges are as follows:

A. Charge No. 1 - Violation of Section 42D(8) and (9) of the Insurance Act, 1938 and Reg 48 of the IRDAI (Insurance Brokers) Regulations, 2018

- a) The Authority sought clarifications from the broker on how they developed terms with Globe Master Consultants, a representative of Confiance for placing facultative reinsurance support on crop insurance placement of Tata AIG, in violation of the Insurance provisions.
- b) **Reply of Broker** – The broker in its reply dated 07.02.2019 stated that it 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. In the correspondences and interactions, Mr. Steven would keep his India representatives in copy for coordination but Unison solely and exclusively dealt with Mr. Steven. Unison was not involved with or aware of, except being marked in copy in the mails and related interactions, of the internal coordination between Mr. Steven and his Indian representatives. The payment of reinsurance premium was directly paid to the bank account of Confiance and all receipt of funds were acknowledged by the foreign broker.

- c) **Violation** – By e-mail dated 12th June, 2018, addressed to Globe Master Consultants, Unison requested them to get reinsurance support for TATA-AIG crop insurance. The same has been acknowledged by Globe Master Consultants. E-mail dated 11.07.2018 and 12.07.2018 confirming participation by BMI, USA on Confiance slip and participation of TMK on ARB slip were sent by Globe Master Consultants. Subsequent emails by Unison were addressed to directors Dr Mukesh Rawan and Mr Sachin Aggarwal, Directors of Globe Master Consultants.

From the correspondence exchanged through emails it is apparent that GMC was an unregistered entity with whom Unison was dealing through Dr. Mukesh Ranwan. Dr. Mukesh Ranwan was the representative of M/s Confiance, as shown in the visiting/business card. M/s Confiance was unregistered entity in India and by virtue of the interaction with its representative in India, the broker was dealing with an unregistered entity.

Section 42D (8) of the Insurance Act, 1938 states that *“any person who acts as an intermediary or an insurance intermediary without being registered under this section to act as such, shall be liable to a penalty which may extend to ten lakhs rupees and any person who appoints as an intermediary or an insurance intermediary or any person not registered to act as such or transacts any insurance business in India through any such person, shall be liable to a penalty which may extend to one crore rupees”*.

Section 42D (9) of the Insurance Act, 1938 states that *“where the person contravening sub-section (8) is a company or a firm, then, without prejudice to any other proceedings which may be taken against the company or firm, every director, manager, secretary or other officer of the company, and every partner of the firm who is knowingly a party to such contravention shall be liable to a penalty which may extend to ten lakh rupees”*

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Regulation 48 of the IRDAI (Insurance Brokers) Regulations, 2018 states that *"In case a registered insurance broker violates any of the provisions of the Insurance Act, 1938, IRDA Act, 1999 and rules and regulations made thereunder, any circular/ guidelines/ orders issued by the Authority from time to time, the Authority may issue such order imposing appropriate penalty depending upon the nature/ gravity of violation"*.

- d) **Submission of the Broker to the SCN** - In its reply to the SCN, Unison in its letter dated 26.7.2019 refuted the charge. According to Unison they did not violate Section 42D(8), 42D(9) and Reg 48. According to Unison Section 42D(9) is violated if violation of Sec 42D(8) is proved. Sec 42D(8) deals with transacting insurance business in India through an entity not registered under section 42D. According to Unison, it utilized the services of Confiance for reinsurance. Confiance is validly registered with Labuan Financial Services Authority having Lic No. BS2015105. This information was disclosed to TATA-AIG vide email dt 16.06.2018. Unison has submitted that it is incorrect to state that they appointed or transacted insurance business with Globe Master Consultants (GMC). They had no agreement with GMC, they issued no appointment letter to GMC, they had no transaction with GMC and did no correspondence with GMC. The premium was paid to and refund received from Confiance. Dr Mukesh Ranwan was acting in individual capacity under direct instructions of Confiance.

Unison denied email of 12/06/2018 in which it requested GMC to get reinsurance support for TATA-AIG crop insurance. According to Unison the e-mail is to Confiance & not to GMC. The Confiance MD acknowledged the email of 12/06/2018 by email of 14/06/2018.

According to Unison in the personal hearing that took place on 30th September, 2019 all correspondence with Dr. Mukesh Ranwan between the period 11.06.2018 to 20.11.2018 was based on his introduction to Unison that he is Indian representative of M/s Confiance and shown a business card indicating the same. They have also come to this conclusion based on the fact that M/s Confiance kept Dr. Mukesh in loop in their Emails. Almost 70% of the Emails between Unison and Confiance has kept Dr. Mukesh Ranwan in the loop. Unison submitted that they had been sent an Email dt 24.9.2018 by M/s Confiance stating that they had entered into agreement with M/s Global Master Consultant ("GMC") but the copy of agreement was signed by M/s Confiance only but not signed by the other party. Unison also stated that they had sent Email dated 12th June, 2018 to Dr Mukesh Ranwan in individual capacity but body of Email was addressed to Mr. Steven Chetty of Confiance. According to

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Unison no GMC entity exists and they have never sent any Email dealing with GMC for placement of this business

Unison followed up with another letter dated 22nd October, 2019 reiterating that they never dealt with any entity who were not licensed, did not deal with nor did correspondence with GMC. The first time GMC figured was in Steven Chetty email of 24th September, 2018. Unison has enclosed summary of the sequence of correspondence between TATA-AIG, Unison and Confiance starting from 11th June, 2018 till 20th November, 2018. Unison has reiterated that they have at no time corresponded with GMC or with any other entity that did not have a valid license from Regulator.

e) Decision of the Authority

- i) The Authority examined the charges levied against Unison in the Show Cause Notice issued to it. The Authority also perused the submission made by Unison. It also took note of the submission furnished during the personal hearing and subsequent letters of 4th and 22nd October, 2019
- ii) After taking into consideration all the facts placed before it, the Authority is of the view that:
 - a) Unison in their reply received on 03.01.2019, submitted that "*Globe Master Consultants are the Indian representative of Confiance and is represented by Dr. Mukesh Ranwan based at Jaipur, India.*" As such, Unison was transacting insurance business with Globe Master Consultant through its directors Dr Mukesh Ranwan and Mr Sachin Aggarwal, which was not registered as an intermediary or an insurance intermediary or any person not registered to act as such, to carry insurance/ reinsurance business. By doing so Unison has violated Section 42(D)(8) and (9) of the Insurance Act, 1938 and Regulation 48 of the IRDAI (Insurance Brokers) Regulations, 2018.
 - b) Accordingly, in terms of Sec 105(c) of the Insurance Act, 1938, the matter is being referred to the Adjudicating Officer, appointed in terms of the said section, for further proceedings.

B. Charge No. 2 – Violation of

- i. **Regulation 4 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I – Form A – Functions of reinsurance brokers – Clause 2(m)**
- ii. **Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I – Form H – Code of Conduct – Insurance broker – Clause 2(b), 2(i) and 9(a)**



iii. **Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I – Form I – Additional Code of Conduct for Reinsurance Broker and Composite Broker - Clause 1(c), 1(e), 1(g), 1(h), 1(i), 1(j), 2(d) and 2(e)**

a) The Authority took up the matter with Unison vide its letter dated 26th December, 2018 seeking the views of Unison on the issues raised by TATA-AIG along-with documentary evidence. In addition the Authority sought clarification that if Tokio Marine Kiln Syndicate 510 (TMK) and Best Meridian Insurance Company (BMI) are not participating in the reinsurance risk of Tata AIG then; i) how the copies of signed slips and cover note containing the terms & conditions of these two reinsurers were provided to Tata AIG?; ii) to whom the premium received from Tata AIG was remitted?; iii) from whom this premium was refunded to Unison, which in turn was refunded to Tata AIG? iv) what is the role of M/s Global Master Consultant in this entire issue?; v) when was the complaint lodged with EOW, Mumbai against Confiance and their Indian representatives and why this was not brought to the notice of the Authority?; vi) how Additional Code of Conduct is complied with as per Form – I of Schedule – I of Regulation 8(2) & Regulation 30; vii) copy of Unison's agreement with the overseas reinsurance broker-Confiance.

b) **Reply by the Broker** - The broker submitted its reply on 03.01.2019 giving his views on the issues raised by TATA-AIG. Unison stated that they were defrauded by Confiance who furnished fraudulent slips with confirmation of reinsurance participation by BMI and by TMK. They submitted email dated 20.11.2018 by Steven L Chetty, MD, Confiance, confirming that premium had not been remitted to reinsurers and the documents were forged. When the matter came to light they got Confiance to refund the reinsurance premium to TATA-AIG, they lodged a complaint with EOW, Mumbai who registered a FIR against Confiance and their representative Globe Master Consultants in India. Further i) Unison confirmed that based on the responses from BMI and Confiance e-mail of 20.11.2018 they were convinced that the reinsurance slips submitted by Confiance were fraudulent slips and therefore Tokio Marine Kiln Syndicate 510 and Best Meridian Insurance Company were not participating in the reinsurance risk of Tata AIG; ii) Once the broker received the signed and stamped slips of BMI and TMK from Confiance on 11/07/2018 and 12/07/2018 respectively these were sent to TATA-AIG on the same day; iii) The premium received from TATA AIG was remitted to Confiance, Labuan for onward remittance to reinsurers; iv) The premium was refunded by Confiance, Labuan on 23rd November, 2018. The details of Confiance bank details were furnished; v) M/s Globe Master Consultants are the Indian representative of Confiance.



Unison attached the authority letter issued by Confiance Labuan in favour of Globe Master Consultants; vi) The complaint was lodged with EOW, Mumbai against Confiance and their Indian representative on 29th September, 2018. A copy of the same was enclosed; vii) Unison submitted that they have reviewed the practices in their reinsurance department and after perusal and to the best of their knowledge confirm that the additional code of conduct specified in the IRDAI (Insurance brokers) Regulations, 2018 were followed and complied with; viii) Unison submitted that they do not have a specific agreement with Confiance. However, they have done the KYC compliance and collected license copy, balance sheet copy and PI policy copy, Bank details, agreement copy between Confiance Labuan and Globe Master Consultants.

c) Violation –

- i. Unison has violated the following Regulations as specified in the IRDAI (Insurance Brokers) Regulations, 2019

Regulation 4 of IRDAI (Insurance Brokers) Regulations, 2018 - – Schedule I – Form A – Functions of reinsurance brokers – Clause 2(m) states that *“The functions of a reinsurance broker shall include – exercising due care and diligence at the time of selection of reinsurers and international insurance brokers having regard to their respective security ratings and establishing respective responsibilities at the time of engaging their services”*

Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I – Form H – Code of Conduct – Insurance Broker – Every insurance broker shall

Clause 2(b) – *“act with care and diligence”*

Clause 2(i) – *“obtain written mandate from client to represent the client to the insurer/ reinsurer and confirm cover to the insurers after effecting reinsurance, and submit relevant reinsurance acceptance and placement slips”*

Clause 9(a) – *“ensure that any documents issued comply with all statutory or regulatory requirements from time to time in force”*

Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I – Form I – Additional Code of Conduct for Reinsurance Broker and Composite Broker -

Clause 1(c) – *“The insurance broker shall provide to the insurer/ reinsurer a true and*

complete copy of the reinsurance slip to be used, before entering the market. The insurance broker shall incorporate any modifications or corrections proposed by the insurer/ reinsurer in the placement slips”

Clause 1(e) – “The insurance broker shall furnish to the insurer/reinsurer, a true copy of the placement slip signed by the lead reinsurer quoting terms, indicating thereon, the signed line of the reinsurer”

Clause 1(g) – “Once the insurer/reinsurer has accepted the reinsurance terms quoted, the insurance broker shall place the required reinsurance cover and shall keep the insurer/ reinsurer informed about the progress of placement from time to time. In selecting the reinsurers to whom the risk is offered, the insurance broker shall be mindful of the need to use only such reinsurers who have a rating as required by IRDAI (General Insurance – Reinsurance) Regulations, 2016 and IRDA (Life Insurance-Reinsurance) Regulations, 2013. Where the reinsurance is over placed, the signing down shall be done in consultation with the insurer/reinsurer in a manner consistent with good market practice”

Clause 1(h) – “Shall confirm to the insurer the remittance of premium and receipt of the same by the reinsurer concerned within ten days of such remittance”

Clause 1(i) – “Immediately after completion of placement of reinsurance, the insurance broker may issue an insurance broker’s cover note giving the terms of cover and the names of reinsurers and the shares placed with each of them. The cover note may contain a listing of all important clauses and conditions applicable to the reinsurance and where the wordings of clauses are not market standard, the wordings to be used in the reinsurance contract shall be attached to the insurance broker’s cover note”

Clause 1(j) – “The insurance broker shall follow up the cover note by a formal signed reinsurance policy document or other acceptable evidence of the reinsurance contract signed by the reinsurers concerned, within one month of receipt of reinsurance premium”

Clause 2(d) – “The insurance broker shall advise the progress of placement of the treaty from time to time. Immediately after completion of placement, the insurance broker shall issue a cover note setting out the treaty terms and conditions and list of reinsurers with their shares. Where a treaty is over-placed, the insurance broker shall sign down the shares in consultation with the insurer in a manner consistent with good market practice.

Clause 2(e) – “The insurance broker shall secure signature of formal treaty wordings or other formal reinsurance contract documentation within three months of completion of placement.



d) Submission of the Broker to the SCN - In its reply to the SCN, Unison in its letter dated 26.7.2019 refuted the charge. According to Unison they did not violate Reg 4, Reg 30 of the IRDAI (Insurance Brokers) Regulations, 2018. According to Unison they did not detect anything unusual. According to the sequence of reinsurance placements, Lloyd's syndicate (TMK) dealt with Lloyd's broker (ARB), who in turn dealt with Confiance who in turn dealt with Unison. So there is no lapse on part of Unison and therefore no violation has been committed by Unison. According to Unison they exercised due care in selection of reinsurers and reinsurance brokers as TMK is A+ rated and BMI is A- rated. They also did due diligence on Confiance. As Confiance had worked with Bharat Re and Shriram General they verified their antecedents from them. They also checked Labuan Financial Services Authority website and confirmed Confiance license number and validity. They obtained copy of Confiance license and obtained feedback from CEO, NDI Insurance who was at one point of time providing reinsurance support for crop insurance. Unison also shared details of Confiance with TATA-AIG and RI placement was done with approval of TATA-AIG. At no point was any issue raised. According to Unison as per the sequence of events explained, the documents & emails confirm that fraudulent slips provided to Unison were created and drafted by both Mr Steven Chetty, MD Confiance and GMC, Indian representative. Unison cannot be blamed for it. According to Unison the steps taken by Confiance such as asking for reinsurance premium, sharing bank details, receiving reinsurance premium and refunding proves Confiance guilt. Unison could not have known of the fraud. Further Unison reported the matter to police and filed an FIR.

According to Unison there is no regulatory violation as Unison provided copy of RI slip to TATA-AIG on 11/07/2018 & 12/07/2018. TATA-AIG were always kept informed. Unison also made the payment of 1st installment (25/09/18) & 2nd installment (22/10/18) of RI premium. Unison provided original broker cover note to TATA-AIG on 17/07/2018. Unison provided formal signed reinsurance policy document to TATA-AIG in compliance of RI Regulations. Therefore, no violation of Broker Regulations and additional code of conduct has been committed by Unison.

In the personal hearing that took place on 30th September, 2019 Unison reiterated their earlier submission. Unison submitted that from 11th June to 29th June 2018, the terms of offer were available with M/s TATA AIG. TATA AIG approved the terms on 01.08.2018 and no objection was raised. Unison also added that BMI was having A- rating and TATA AIG agreed to the



placement of risk with BMI. Further Unison also informed that TMK is A+ rated which was acceptable to TATA AIG from the first day. Unison reiterated that they did KYC for M/s Confiance by checking their license number from the website of regulator of Labuan, their Bank account details, annual accounts, PI policy etc.

e) Decision of the Authority

- i. The Authority examined the charges levied against Unison in the Show Cause Notice issued to it. The Authority also perused the submission made by Unison. It also took note of the submission furnished during the personal hearing and subsequent letters of 4th and 22nd October, 2019.
- ii. After taking into consideration all the facts placed before it, the Authority concludes as below:
 - a. Reinsurance business is international in nature. The role of a reinsurance broker in reinsurance placement is paramount as the cedants place their risks with reinsurers through them. The relationship between the cedants and the reinsurers is managed by the reinsurance broker and is based on utmost trust. Any shortcomings or breach of trust has severe consequences for the entire insurance market.
 - b. From the submissions made by Unison, it is observed that not only Unison, but also the chartered accountant who certifies the documentation, the authorized foreign exchange dealer who remits the foreign exchange believed the reinsurance slip to be genuine and remitted the foreign exchange to the overseas broker. The fraudulent reinsurance slip was so well crafted by Confiance, that it appears that Unison was duped into believing as original. Therefore, the following charges are not pressed against Unison:
 1. Regulation 4 of IRDAI (Insurance Brokers) Regulations, 2018 - - Schedule I - Form A - Functions of reinsurance brokers - Clause 2(m)
 2. Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I - Form H - Code of Conduct - Insurance Broker - Clauses 2(b), 2(i) and 9(a)
 3. Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 - Schedule I - Form I - Additional Code of Conduct for Reinsurance Broker and Composite Broker - Clauses 1(e), 1(g), 1(i), 2(d) and 2(e)
 - c. The Authority noted that Unison filed a police complaint with Mumbai police on 29.11.2018 and after investigation and inquiry the Mumbai Police converted the complaint to FIR on 17.01.2019. Unison also served legal notices on Confiance on

31.12.2018. Unison on information of the forgery of the reinsurance slips filed a complaint with the Mumbai Economic Offences Wing.

- d. However, had Unison confirmed to the insurer the remittance of premium and receipt of the same by the reinsurer concerned within ten days of such remittance by following up with the reinsurer as stipulated in clause 1(h) of Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 – Schedule I - Form I – Additional Code of Conduct for reinsurance broker and composite broker, they would have come to know that the reinsurer was not on risk.
 - e. Like-wise had Unison followed up with the cover note by a formal signed reinsurance policy documents or other acceptable evidence of reinsurance contract signed by the reinsurers concerned, within one month of receipt of premium as stipulated under clause 1(j) of the Regulation 30 of IRDAI (Insurance Brokers) Regulations, 2018 – Schedule I- Form I – Additional Code of Conduct for reinsurance broker and composite broker, they would have come to know that the reinsurance was not placed with the reinsurers.
- iii. In view of the above lapses by Unison, and in exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938 read with Regulation 48 of the IRDAI (Insurance Brokers) Regulations, 2018, the Authority imposes a penalty of Rs 1 crore (Rupees One crore) for the violation period exceeding 100 days, starting from the date of sharing the forged RI slips to TATA AIG on 11.07.2018 and 12.07.2018 to the date on which the matter was brought to their notice by TATA AIG on 13.11.2018.

C. Charge No. 3 - Violation of Regulation 40((2) (a) of the IRDAI (Insurance Brokers) Regulations, 2018

- a) IRDAI sought the following clarifications from Unison vide its letter dated 01/02/2019: i) How Unison developed terms with GMC, a representative of a foreign broker, for placing facultative reinsurance support on crop insurance placement of Tata AIG, in violation of the Broker Regulations; ii) By not informing the Authority regarding this issue, which surfaced on 13.11.2018, until it was brought to the notice of the Authority by Tata AIG on 21.12.2018 Unison violated Reg 40(2)(a) of Broker regulations; iii) Whether this issue was brought to the notice of Labuan Financial Services Authority, Federal Territory of Labuan, Malaysia, which

has granted license to M/s Confiance International Reinsurance Brokers L.L.C, vide License No: BS2015105.

b) Reply of the Broker - Unison replied vide its letter dated 07.02.2019 stating the following: i) 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. In the correspondences and interactions, Mr. Steven would keep his India representatives in copy for coordination but Unison solely and exclusively dealt with Mr. Steven. Unison was not involved with or aware of, except being marked in copy in the mails and related interactions, of the internal coordination between Mr. Steven and his Indian representatives. The payment of reinsurance premium was directly paid to the bank account of Confiance and all receipt of funds were acknowledged by the foreign broker; ii) Unison provided all disclosures as required by IRDAI. To confirm the suspicion regarding the reinsurance slips being forged, it took the following action: 1) promptly informed Mr. Steven on 13.11.2018; 2) in reply Mr. Steven sought time to confirm the details through his emails 15.11 and 16.11.2018; 3) through his email dt. 20.11.18 Mr. Steven took full responsibility for the fraud committed by Confiance and returned the reinsurance premium on 26.11.18. Unison filed a police complaint with Mumbai police on 29.11.2018 and after investigation and inquiry the Mumbai Police converted the complaint to FIR on 17.01.2019. Unison also served legal notices, through the law firm Animesh Sinha & Partners, Advocates and Solicitors on Confiance on 31.12.2018; iii) Immediately on information of the forgery of the reinsurance slips Unison filed a criminal complaint to initiate action under Indian Law and FIR has been issued charging Confiance for forgery for the purpose of cheating and criminal conspiracy. Now this matter is subject to proceedings by the Mumbai Police.

c) Violation –

- i. On examination of the response by Unison, it is observed that Unison informed the Authority only after TATA-AIG raised the issue. It was not forthcoming and took time to respond.

Regulation 40(2) – Disclosures to the Authority – states that *“an insurance broker shall disclose to the Authority, as and when required by it, in any event not later than thirty days of a requisition, the following information, namely –*



- (a) *Their responsibilities with regard to the placement of an insurance or reinsurance contract*
- (b) *Any change in the information or particulars previously furnished, which have a bearing on the registration granted to them;*
- (c) *The names of clients whose insurance portfolio they manage or have managed*
- (d) *Any other requirement or information specified by the Authority from time to time”*

d) Submission of the Broker to the SCN - In its reply to the SCN, Unison in its letter dated 26.7.2019 refuted the charge. According to Unison submitted that it has not violated Reg 40(2) of the IRDAI (Insurance Brokers) Regulations, 2018. Unison provided chronology of the dates on when the query was raised by IRDAI and the date on which it was answered by Unison. According to Unison, they replied within the stipulated period of 30 days.

In the personal hearing that took place on 30th September, 2019 Unison reiterated their earlier submission. Unison admitted that, technically, they should have brought to the notice of the Authority voluntarily before the expiry of one month period i.e. on or before 20.12.2018, from the date on which they came to know about the matter i.e. on 20.11.2018. Unison submitted that they were under the impression that the information should be disclosed to the Authority only if the same was requisitioned by the Authority. Unison also added that once the incident came to the notice three four days were gone in enquiring in the London office of the reinsurer and once the reinsurer confirmed that they are not on risk filed a police complaint in Economic Offences Wing (EOW) of Mumbai. Around two weeks were gone in enquiry of EOW at the office of the Broker. Unison submitted that it would have been better that they had informed the Authority with all the details including the FIR copy. Unison added that there was no intention on their part not to disclose the information to the Authority but due to their misunderstanding of the regulation that the information should be furnished to the Authority only when asked by it.

e) Decision of the Authority

- i. The Authority examined the charges levied against Unison in the Show Cause Notice issued to it. The Authority also perused the submission made by Unison. It also took note of the submission furnished during the personal hearing and subsequent letters of 4th and 22nd October, 2019.



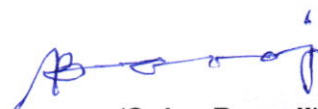
- ii. After taking into consideration all the facts placed before it, the Authority is of the view that:
 - a. there was delay on part of Unison, but the circumstances in which the broker found themselves, the Authority considered the explanation given by Unison.
 - b. In light of the above, the Authority does not press the charge.

4. Conclusion

- i. The actions of Unison put TATA-AIG in a difficult position. They suffered a loss because they did not have adequate reinsurance protection as a result of which their financials were impacted. Such an action deserves the highest level of attention as it hits the very foundation of insurance/reinsurance business of placing trust with a reinsurance broker. A cedant relies on the reinsurance slip submitted by the reinsurance broker to assume that the risk is placed and there is no gap in reinsurance protection. If the reinsurance protection is found to be non-existent, the entire risk that was supposed to be passed on to the reinsurer falls into the lap of the direct insurer who is obliged to make good the loss, as he has issued an insurance policy to the policyholder. It is because of this important nature of transaction that utmost care has to be exercised by the insurer and the insurance broker. Any shortcomings can have very serious consequences even to the extent of a failure of an insurance company.
- ii. However, given the documents shared by Unison with the Authority, it appears that Unison were themselves cheated by Confiance. Confiance who could not place reinsurance for crop insurance, forged the reinsurance slip and submitted as original to Unison.
- iii. Based on above decisions in charge no. 1, 2 & 3 M/s. Unison Insurance Brokers Pvt Ltd., is hereby directed to pay a penalty of Rs. 1,00,00,000/- (Rupees One Crore only)
- iv. The penalty of Rs 1,00,00,000/- (Rs. One Crore) shall be remitted by Unison through NEFT / RTGS (details of which will be communicated separately) within a period of 15 days from the date of receipt of this order. An intimation of remittance by Unison may be sent to Shri. Randip Singh Jagpal, Chief General Manager (Intermediaries), IRDAI, Sy. No. 115/1, Financial District, Nanakramguda, Hyderabad, 500032.
- v. If the Insurance Broker feels aggrieved by the above decision of the Authority, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad

Date: January 8, 2020



(Sujay Banarji)

Member (Distribution)