

Order of Insurance Regulatory and Development Authority of India under IRDAI (Registration of Corporate Agents) Regulations, 2015 read with provision of Insurance Act, 1938-

In the matter of M/s Flipkart Internet Pvt Ltd

Based on the reply to the Show Cause Notice dated 6th Jan 2025 and submissions made by during Personal Hearing held on 28th February 2025, chaired by Member (Distribution) & Member (F&I) at the office of Insurance Regulatory and Development Authority of India, Hyderabad

Background:

1. M/s Flipkart Internet Pvt Ltd, (hereinafter called the "FIPL"), a registered Corporate Agent under Composite category (CA0599) applied for renewal application on 21st August 2024.
2. The renewal application was processed and query along with certain observations were sent to FIPL vide Authority's communication dated 22nd Aug 2024 for their response.
3. Following this, there were several correspondences with FIPL. These correspondences were focused on clarifying and addressing specific observations and points that were identified during the renewal application review.

4. Show-Cause Notice, Reply and Hearing:

- a. Considering the observations and non-compliances, a Show-cause notice (hereinafter referred as "SCN") dated 6th Jan 2025 was issued to the FIPL for the violation of the following regulations:
 - i. Violation of Regulation 14(v) & Clause III of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015
 - ii. Violation of Clause 15.1(b) of Insurance E-commerce Guidelines, 2017

- iii. Violation of Regulation 8(A) of IRDAI (Registration of Corporate Agents) Regulations, 2015.
 - iv. Violation of Clause 3(ii)(a) of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.
- b. FIPL submitted its response vide email dated 25th January 2025 and requested a personal hearing to provide further clarification.
 - c. A personal hearing was scheduled with FIPL on 28th February 2025. On behalf of the FIPL, Mr. Nishant Kurup, VP, FIPL, Mr. Vipin Garg, Sr. Director - FIPL, Mr. Tafeem Siddiqui, Sr. Director - FIPL, Ms. Monika Kalra, Sr. Director - FIPL, Ms. Vaishali Tiwari, PO- FIPL, Mr. Chirag Karia, Deputy General Counsel - FIPL, and Mr. Ayon Basu, Assistant General Counsel - FIPL attended the hearing. On behalf of the Authority, Mr. Satyajit Tripathy, Member (Distribution), Mr. Rajay Kumar Sinha, Member (F& I), Ms. Anita Josyula, CGM-Intermediary Ms. R. Uma Maheswari, GM- Intermediary, Ms. Mathangi Sarita, DGM- Intermediary, and Mr. Sumandeep Ghosh, AM-Intermediary attended the meeting.
 - d. The charges mentioned in the SCN dated 6th January 2025, FIPL's written response dated 25th January 2025 in brief, submissions made during personal hearing dated 28th February 2025 and the corresponding decisions on these charges are detailed below.

5. Charge 1:

Violation of Regulation 14(v) & Clause III of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015

“The corporate agent shall solicit and procure reasonable number of insurance policies commensurate with their resources and the number of specified persons they employ”.

&

Clause III of Schedule III relating to Post-Sale Code of Conduct

Observation:

The FIPL procured over 70000 policies in a year with only one (1) Specified Person (SP).

Given that Specified Persons undergo specialized training in insurance, the high number of policies procured without adequate specified person raises serious concerns regarding FIPL's compliance with regulatory requirements. The lack of adequate Specified Persons undermines the ability of the corporate agent to effectively solicit, service, and assist policyholders at the time of need. Instead of providing direct servicing, FIPL was found to be redirecting policyholders/customers to the insurer's helpdesk for assistance, which is not in accordance with the regulatory requirement.

Submission of FIPL:

FIPL submitted that its embedded insurance model relied on a technology-driven approach with minimal manual intervention. However, acknowledging the regulatory concern, FIPL confirmed that it has initiated the process of on boarding additional Specified Persons with four (4) Specified Persons having already completed their training and examination.

Decision:

While FIPL's digital model is noted, FIPL is advised to maintain adequate number of Specified Persons in compliance with regulatory requirements to ensure both effective solicitation and proper servicing of policyholders. FIPL is hereby warned for failing to provide satisfactory service to policyholders. Strict compliance with regulatory norms is mandated in the future to prevent further lapses.

Charge No 2:

Violation of Clause 15.1(b) of Insurance E-commerce Guidelines, 2017

"The applicant's ISNP shall enroll only those market participants that are granted certificate of registration by the Authority.

Explanation: It is clarified that an insurer can enroll only insurance intermediaries on its Insurance Self-Network Platform and no other insurer.

-An insurance intermediary can enroll only insurers to the extent allowed under the respective regulations on its ISNP and no other insurance intermediary or an insurance agent."

Observation:

FIPL was granted ISNP certification to facilitate the online solicitation of insurance policies in a direct, integrated manner with insurers. However, regulatory scrutiny revealed that:

- a. When a prospective customer visited FIPL's ISNP-approved website and clicked on the "Insurance / Buy Insurance" button, the website redirected them to another insurance intermediary's webpage, where the insurance purchase was completed.
- b. This redirection was not an independent advertisement but a direct diversion of insurance traffic on its website, which is a result of integration between FIPL's ISNP platform and the insurance intermediary's website, violating Clause 15.1(b) of the Insurance E-commerce Guidelines, 2017.

ISNP approval is granted strictly for direct integration with insurance companies and not with other insurance intermediaries. FIPL's practice of routing customers to another insurance intermediary's platform is in contravention of this regulatory requirement and facilitated an unauthorized insurance distribution channel.

Submission of FIPL:

FIPL, in its response, claimed that:

It only provided digital advertising space to the insurance intermediary, without any referral or intermediary agreement.

Such advertising activities are unrelated to its ISNP and corporate agency operations.

When a user clicked on an advertisement or banner, FIPL had no control over what product/service they accessed on the insurance intermediary's webpage.

It had submitted an advertisement agreement with the insurance intermediary as evidence of its limited role.

Decision:

It is noted that the facts do not align with the aforementioned claim and the advertisement justification does not hold due to the following:

A true digital advertisement would be placed on a section of FIPL's e-commerce platform where users could choose to engage with the insurance intermediary's promotional content.

However, no such banner or link for the insurance intermediary existed on FIPL's e-commerce website.

Instead, FIPL's ISNP website itself—where insurance is meant to be solicited directly—redirected customers to the insurance intermediary's website.

The redirection occurred only when a customer clicked the "Insurance / Buy Insurance" button, which cannot be classified as a mere advertisement.

This direct integration of the ISNP portal with another intermediary's platform is a clear violation of the Insurance E-commerce Guidelines, 2017.

The advertisement agreement between FIPL and the insurance intermediary expired in March 2024.

However, the redirection of prospective insurance customers continued until August 2024, indicating that this was not limited to an advertisement contract but an ongoing practice.

The redirection was discontinued only after regulatory scrutiny, suggesting a lack of voluntary compliance on FIPL's part.

It is also observed that FIPL issued four invoices to the insurance intermediary, dated:

- ✓ 15th February 2024
- ✓ 28th February 2024
- ✓ 5th March 2024
- ✓ 10th July 2024

However, the invoice amounts do not match with the service fee specified in the advertisement agreement. Further, an invoice was raised on 10th July 2024, whereas the agreement expired in March 2024, raising concerns about whether financial transactions continued beyond the agreed scope.

This suggests that the financial arrangement between FIPL and the insurance intermediary was not purely for advertising but potentially linked to insurance redirection, which is a regulatory violation.

In view of the facts and circumstances, it may be noted that FIPL misused its ISNP-certified platform by integrating it with an insurance intermediary's website instead of directly with insurers. The said arrangement is clearly prohibited in the Insurance E-commerce Guidelines, 2017.

The redirection of customers was not an advertisement but an unauthorized method of insurance solicitation. The advertisement agreement does not justify the redirection of insurance buyers to an insurance intermediary's platform.

The inconsistencies in invoicing suggest financial transactions beyond the declared advertisement contract. FIPL continued this practice of redirection to other insurance intermediaries and only discontinued the redirection after the same was brought to FIPL's notice by the Authority.

Considering the nature, scale, and duration of the violation, the Authority, in the exercise of powers conferred under Section 102(b) of the Insurance Act, 1938, imposes a penalty of ₹1,00,00,000/- (Rupees One Crore only) on FIPL.

Charge No 3:

Violation of Regulation 8(A) of IRDAI (Registration of Corporate Agents) Regulations, 2015

Every applicant, who is a company incorporated under the Companies Act, 2013 and has a majority of shareholding of foreign investors, shall furnish an undertaking as given in Schedule – AA, includes the following key conditions in the undertaking:

1. Limitation on Related Party Transactions: shall not make payments (other than dividend) to related parties taken as a whole, beyond 10% of the total expenses of the company in a financial year.
2. Board Composition Requirement: The majority of directors on the board must be resident Indian citizens.

Observation:

FIPL removed the condition regarding related party transactions while submitting the Schedule AA undertaking, failing to adhere to the regulatory requirement.

Further, at the time of submission, FIPL's board had only one resident Indian director out of two, thereby failing to meet the requirement that the majority of directors be resident Indian citizens.

Therefore, by not providing the undertaking as per Schedule AA and by not having resident Indian citizens as majority Directors in the board, FIPL allegedly violated Regulation 8(A) of IRDAI (Registration of Corporate Agents) Regulations, 2015.

Submission of FIPL:

FIPL acknowledged the omission and stated that, as part of a large conglomerate with multiple related-party transactions, it needed to fully understand the implications of the undertaking before submission. Subsequently, FIPL submitted a revised Schedule AA undertaking.

Additionally, FIPL restructured its board composition to ensure a majority of resident Indian directors, thereby rectifying the earlier non-compliance.

Decision:

Given that FIPL has resubmitted the undertaking and restructured its board composition in compliance with Regulation 8(A), the Authority has decided not to press charges for this violation. However, FIPL is advised to ensure strict adherence to regulatory requirements in the future to prevent such lapses.

Charge No 4:

**Violation of Clause 3(ii)(a) of Schedule III read with Regulation 26 of IRDAI
(Registration of Corporate Agents) Regulations, 2015**

No corporate agent/principal officer/specified person shall-

a. solicit or procure insurance business without holding a valid registration/certificate

Observation:

FIPL's Certificate of Registration (CoR) expired on 25th September 2024. Despite the expiry of the CoR, FIPL continued soliciting and procuring insurance policies through its website from 26th September 2024 to 1st October 2024. During this period, FIPL sold approximately 400 retail motor policies. The solicitation and sale of policies continued until FIPL received a query from the Authority, after which the company ceased all insurance sales activities.

Therefore, FIPL by soliciting and procuring retail insurance business after expiry of its CoR has violated clause 3(ii)(a) of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

Submission of FIPL:

FIPL had submitted that while their renewal application was duly submitted within time and pending for approval, FIPL was under impression that they were permitted to act as a Corporate Agent until final communication of the Authority is received on their renewal application.

Upon receiving the Authority's query on sales after expiry of CoR, FIPL immediately ceased all such insurance sales operations and activities.

Decision:

The filing of a renewal application does not grant automatic extension of registration unless explicitly communicated by the Authority.

The sale of insurance policies without a valid CoR constitutes a direct violation of Clause 3(ii)(a) of Schedule III read with Regulation 26.

While FIPL ceased operations promptly upon receiving the query, it had already solicited and sold a substantial number of policies during 26th September 2024 to 1st October 2024.

Accordingly, in exercise of powers vested under Section 102(b) of the Insurance Act, 1938, the Authority imposes a penalty of ₹6,00,000/- (Rupees Six Lakh only) on FIPL for violation of the aforementioned provisions.

6. Summary of Decisions:

The following is the summary of charge wise decisions in this order:

Charge No.	Title of charge and the provisions violated	Decision
1	<i>Violation of Regulation 14(v) & Clause III of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015</i>	Warning & Advisory.
2	<i>Violation of Clause 15.1(b) of Insurance E-commerce Guidelines, 2017</i>	Penalty of Rs. 1,00,00,000/- (Rupees One Crore only)
3	<i>Violation of Regulation 8(A) of IRDAI (Registration of Corporate Agents) Regulations, 2015</i>	Not Pressed
4	<i>Violation of Clause 3(ii)(a) of Schedule III read with Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015</i>	Penalty of Rs. 6,00,000/- (Rupees Six lakh only)

7. Conclusion:

a. As directed under the respective charges, the penalty of Rs. One Crore Six Lakh shall be remitted by the Corporate Agent 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 accounts@irdai.gov.in with a copy to uma@irdai.gov.in

b. FIPL shall confirm compliance in respect of the above decisions, within 21 days from the date of receipt of this order. The order shall be placed in their upcoming Board meeting and FIPL shall submit a copy of the minutes of the discussion.

c. If FIPL feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad

Date: 07.04.2025

Satyajit Tripathy

Member (Distribution)

Rajay Kumar Sinha

Member (F & I)