



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Ref: IRDA/I&C/ ORD/ONS/286/12/2014

January 29th, 2015

ORDER

In the matter of M/s Family Health Plan (TPA) Ltd.

Based on the reply to Show Cause Notice dated 23.09.2014 and submissions made during Personal Hearing Chaired by Sh. M. Ramaprasad, Member (Non-Life), IRDA, on 18.11.2014 at 11.00 AM at the office of Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavan, Basheerbagh, Hyderabad, 500004.

The Insurance Regulatory and Development Authority of India (hereinafter, referred to as 'the Authority') carried out an onsite inspection of M/s Family Health Plan (TPA) Ltd, having registered office at Srinilaya, Cyber Spazio, Suite No. 101, 102, 109 & 110, Ground Floor, Road No. 2, Banjara Hills, Hyderabad, 500 034, hereinafter, referred to as TPA, from 7th June 2011 to 8th June 2011.

The Authority forwarded the inspection report to the TPA vide letter dated 4th July 2011 seeking their comments on the same. The TPA responded to the observations as contained in the inspection report vide their communication dated 15-07-2011. On examining the submissions made by TPA it was observed that the TPA has not complied with the provisions of the IRDA regulations and the guidelines framed there under. On the observed deficiencies, in the functioning of the TPA a Show Cause Notice was issued on 23-9-2014 which was replied by the TPA vide their communication dated 15-10-2014 with a request for personnel hearing.

Accordingly a personal hearing was held on 18-11-2014 under the Chairmanship of the Member (Non-Life), Sh. M. Ramaprasad. The personal hearing was attended by Sh. J. E. Prasad, CEO and Ms. Bharathi, CAO of Family Health TPA. On behalf of the Authority, Ms. Mamta Suri, the then Sr. Joint Director (I&C), Smt. Yegna Priya

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Bharath, Joint Director (Health), Sh. N.M. Behera, Deputy Director (Health) and Smt. Jyoti Vaidya, Deputy Director (I&C) were present in the personal hearing.

The submissions made by the Family Health TPA in their written reply to the Show Cause Notice and also those made during the course of the personal hearing along with written submissions made thereafter (dated 24-11-2014), were taken into account. The explanation offered by the TPA to various charges as regards violation/non-compliance as indicated in the Show Cause Notice and the decisions thereon are as follows:

Charge No. 1:

Concern/Violation: The TPA had rendered services in the form of IT support for porting the member details covered under the health insurance policies of M/s Wapmed TPA Kuwait. It is a violation of Reg. 3 (2) of IRDA (TPA – Health Services) Regulations 2001 which stipulates that the primary object of the company shall be to carry on business in India as a TPA in the health services and shall not engage itself in any other business.

Submissions made by the TPA: The TPA had accepted the charge and submitted that it was a one -time activity.

Decision:

In view of the violations observed, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs.5 lakh.

Charge No. 2:

Concern/Violation: The TPA had entered into an agreement with M/s Allied Insurance co. of Maldives for providing services to their clients visiting India for medical treatment. It is a violation of Reg. 3 (2) of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the primary object of the company shall be to

carry on business in India as a TPA in the health services and shall not engage itself in any other business.

Submissions made by the TPA: The TPA had accepted the charge and submitted that the agreement was withdrawn from 01.10.2011 on receipt of circular from the Authority Ref: IRDA/NL/CIR/HLTH/207/09/2011 dated 06.09.2011 which stipulates that TPA can offer its services only to an insurance company and to no other body.

Decision:

In view of the violations observed, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs. 5 lakh.

Charge No. 3:

Concern/Violation: The TPA had been providing emergency assistance and other allied services to clients of foreign insurers in India. The insurers involved were AXA PPP Healthcare, Inter Global Ltd., International Assistance Group, etc. It is a violation of Reg. 3(2) IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the primary object of the company shall be to carry on business in India as a TPA in the health services and shall not engage itself in any other business.

Submissions made by the TPA: The TPA had accepted the charge and submitted that the agreement was withdrawn immediately, on receipt of circular from the Authority Ref: IRDA/NL/CIR/HLTH/207/09/2011 dated 06.09.2011 which stipulates that TPA can offer its services only to an insurance company and to no other body.

Decision:

In view of the violations observed, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs. 5 lakh.

Charge No. 4:

Concern/Violation: The TPA is engaged in printing and dispatch of health insurance policy kits to its customers and separate charges are received for the same from the insurer (Apollo Munich Health insurance Company Limited.). It is a violation of Reg. 3(2) IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the primary object of the company shall be to carry on business in India as a TPA in the health services and shall not engage itself in any other business.

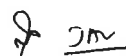
Submissions made by the TPA: The TPA submitted that they had an agreement with Apollo Munich Health Insurance Company Limited. The agreement entered was within the meaning of "agreement" as defined under Reg. 2 (b) of IRDA (TPA – Health Services) Regulation, 2001. The services rendered are within the meaning of "health services" as defined under Reg. 2 (d) of IRDA (TPA – Health Services) Regulation, 2001.

Decision:

In view of the violations observed, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs. 5 lakh.

Charge No. 5:

Concern/Violation: The TPA has an arrangement with corporate such as GE International, Dell International, Motorala India, etc., for providing additional services for additional remuneration which is paid directly by the respective companies to the TPA. It is a violation of Reg. 3(2) IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the main of primary object of the company shall be to carry on business in India as a TPA in the health services and shall not engage itself in any other business.



Submissions made by the TPA: The TPA submitted that in the case of GE, there was a cap on maternity limit in the policy. On request of the client the TPA extended the cashless limit on request from GE. The TPA did not get any additional payment over and above maternity limit from the insurer / GE. In case of Dell, the TPA set up help desks at clients' place and organized health camps and health checks to the employees. In case of Motorola, the corporate requested to engage doctors at their locations. The TPA was paid only to the extent of consultant fees. In all the three cases there were not any additional payments over and above the cost incurred by the TPA.

Decision:

In view of submissions made by the TPA to support their reply, the Authority is not pressing the charges. However, TPA is directed to adhere to provisions of Reg. 3(2) IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the main of primary object of the company shall be to carry on business in India as a TPA in the health services and shall not engage itself in any other business.

Charge No. 6:

Concern/Violation: The TPA continued to service the insurers with whom the agreements had expired. The TPA did not file the revised agreements with insurers, with the Authority, as required. It is a violation of Reg. 24(3) IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the TPA shall make available to the Authority for inspection, copies of all contracts with insurance company.

Submissions made by the TPA: The TPA submitted that they had initial agreements with all Insurance companies whom they were servicing and when period of agreement expired, certain insurance companies did not initiate renewal or signing of new agreements. But they allowed the TPA to service certain Group policies on case to case basis for which the TPA had communication from insurers to service those particular policies. Continuation of bank guarantees, float fund accounts, payment of claims through float fund accounts from the funds received

from insurers and receipt of fee from insurers for servicing the policies are all evidences to prove that insurer, TPA contract existed.

Decision:

In view of submissions made by the TPA to support their reply, the Authority is not pressing the charges. However, TPA is directed to initiate steps to formalise agreements with the said insurers under intimation to the Authority.

Charge No. 7:

Concern/Violation: The TPA is maintaining separate float accounts for different offices of the insurers and there is no internal mechanism to verify the transactions in the float accounts.

The float accounts do not form part of the annual statements of the TPA. The details of claims outstanding for more than 6 months at the year-end were not properly disclosed to the Authority in return TPA 4 (7) as required.

Submissions made by the TPA: The TPA submitted the copies of reconciliation of float accounts are maintained by them. The TPA accepted that the details of claims outstanding for more than 6 months at the year-end were not properly disclosed to the Authority in return TPA 4 (7) of annual report. The TPA had rectified the same in subsequent submissions to the Authority.

Decision:

For misrepresentation of figures to the Authority, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs. 5 lakh.

Summary

The penalty amount of **Rs. 25 lakh** shall be paid through Demand Draft drawn in favour of **Insurance Regulatory and Development Authority payable at Hyderabad** within 15 days from the receipt of this letter.

The Demand Draft is required to be forwarded to Sh. Lalit Kumar, FA (Enforcement).

The TPA is required to ensure compliance with the above directions under intimation to the Authority.

Place: Hyderabad

Date: 29th January 2015



M. Ramaprasad

Member (Non-Life)



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