



भारतीय बीमा विनियामक और विकास प्राधिकरण  
**INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY OF INDIA**

No. IRDA/ENF/ORD/ONS/002 /01/2018

**Final Order in the matter of**  
**M/s. RR Insurance Brokers Pvt. Ltd.**

Based on reply to the Show Cause Notice dated 20<sup>th</sup> June 2017 and submissions during hearing through video conference held on 20<sup>th</sup> November, 2017 at 2-30 p.m. taken by Member (Non-life) at the office of Insurance Regulatory and Development Authority of India, 3<sup>rd</sup> Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad.

**Background :-**

The Insurance Regulatory and Development Authority of India (hereinafter referred to as "The Authority") carried out an onsite inspection of M/s. **RR Insurance Brokers Pvt. Ltd.** (hereinafter referred to as "the broker") during 23-11-2015, 24-11-2015 and 26-11-2015. The Authority forwarded a copy of the Inspection Report to the broker seeking comments and the broker's comments were received vide their letter dated 15-03-2016. Upon examining the submissions made by the broker, the Authority issued Show Cause Notice on 20-06-17 which was responded to by the broker vide letter dated 17-07-2017.

As requested therein, a hearing through video conferencing was given to the Broker on 20-11-2017. Shri Jeetesh Kumar (Director), Mr. Rakesh Gulati and Mr. Deepak Khanna, Manager, were present in the hearing on behalf of the Broker. On behalf of the Authority, Mr. P.J. Joseph, Member (Non-Life), Shri Randip Singh Jagpal, HOD (Intermediaries), Shri Prabhat Kumar Maiti, GM (Enforcement), Shri B. Raghavan, DGM (Enforcement), and Shri Atulveer Bhanwara, Assistant (Enforcement) were present during the personal hearing.

The submissions made by the broker in their written reply to the Show Cause Notice, the documents submitted by the Broker in evidence of their submissions in reply and also those made during the course of the personal hearing have been considered by the Authority and accordingly the decisions on the charges are detailed below.

**1. Charge no. 1**

On examination of two selected policies, it is observed that an employee of the broker was involved in the solicitation of these policies. However, as per the record

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of the trained employees of the broker in that period, the name of the said employee was not among the trained persons. Further, the entity could not submit the policy documents against these policies.

It is found that the modus operandi adopted for the solicitation of these policies was that some unofficial source i.e. employee of RR Group subsidiary, a different entity, who is not employee of the broker, is providing leads. Hence, the action of the broker is tantamount to solicitation by employing canvasser.

#### **Submission of the broker :-**

The broker submitted that the referred employee of RR Insurance Brokers only generated leads and the other works like data collection, policy servicing, collection of documents, delivery of renewal notices and collection of cheques.

However, he was never involved in soliciting and securing the business. RR Insurance Brokers never appointed any canvasser to bring in the business as per clause 3(b) of Schedule VI-A of Regulation 28 of Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2013.

Further, he was an employee of RR insurance Broker and was involved in Policy servicing and if ever an individual show interest to buy a new policy he is introduced to respective IRDA certified person. He was only managing servicing of those two policies.

#### **Decision:-**

The broker has submitted that the person concerned was an employee of the broker and except for providing the lead, he did not carry out any other task related to the solicitation. Even if the submission of the broker that the individual was their employee is accepted, it is seen that he was not trained or authorized to solicit business on behalf of the broker. But having got carried out the job of solicitation through that person, the broker has attempted to explain away or justify their action by saying that the said individual confined himself to providing leads and the rest of the activities related to solicitation were done by another person who was authorized and trained to solicit business. In support of this argument/explanation, the broker has submitted an affidavit by the Insured/Client, with a declaration that the said policies were not solicited by the employee referred in the inspection observation. Rather than explaining why an untrained employee signed the proposal form in the capacity of the adviser, the Broker took help of an affidavit where a declaration has been made by the client after a gap of more than three and half years from the solicitation of policies. All these factors point to the fact that the broker utilized untrained individuals for solicitation of business – thereby violating Clause 3(b) of Schedule VI-A of Regulation 28 of Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2013. The broker is warned for this violation and is directed to ensure strict compliance to the said Regulation.



## **2. Charge no. 2**

Based on the grievances uploaded on IGMS portal, entity was asked to submit the policy documents and all the available records in regard to steps taken by the entity to resolve the complaint. Entity informed verbally that in most of the cases, policies have been cancelled by the Insurer. Accordingly, the relevant documents were asked for, for verifying the veracity of their submission. Entity could not produce even a single document related to these policies. Moreover, as per the record examined and submitted it may be concluded that the entity does not have document containing details of complaints handling procedure. Apart from this entity has not nominated any senior level employee to deal with the complaint and did not find any system for recording and monitoring of the complaint. Hence it may be concluded that clause 8 (a), (e), (f) of Schedule VI-A of Regulation 28 of Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2013 is being violated by the entity.

### **Submission of the broker :-**

The broker submitted that they at RR Insurance Brokers are following the process of Systematic Maintenance of Complaint records. Whenever there is a complaint from the Insurance Company or by the client, it is addressed properly. Hence some of the complaints are anonymous and wrong but still whole process is done as per clause 8 (a), (e), (f) of schedule of VI-A of Regulation 28 of Insurance Regulatory and Development Authority (Insurance Brokers) Regulation, 2013. This could not be shown to the Inspection team as most of the records were at our Jhandewalen office. We have been scrupulously following all the guidelines of IRDAI of doing Insurance Business in most ethical ways. We have been addressing the grievances/complaint if any of our clients in most appropriate manner and expeditiously.

### **Decision :-**

It is expected of every broker that he has in place a sound and robust complaint resolving mechanism. This requires that the broker should maintain all the policy records, documents and complaints submitted to them. The regulations require the broker not only to maintain the records but it equally makes it mandatory on the part of the broker to make available any and every document demanded by the Inspecting officers. Maintaining the records and making them available to Inspecting officers is not an option but an indispensable requirement to be fulfilled by the broker. But in this case, the broker has failed to make available any document to the Inspection team but simultaneously submitted that all processes are followed as mandated in the Regulations for resolving consumer complaints. Their submission that the records could not be shown to the Inspection because they were kept away from the location at which the inspection was conducted is not worthy of acceptance as it is incumbent upon them



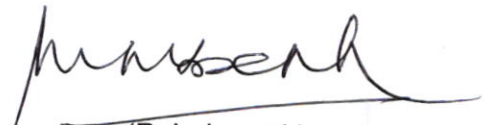
to keep the documents at the location where the inspection was proposed to be conducted.

While the above factors show that the broker did not exhibit responsibility in their dealings, it is strictly emphasized upon the broker to ensure compliance with the Regulations by –

- a) Putting in place proper and robust complaint monitoring mechanism
- b) Maintaining proper records, documents etc.
- c) Cooperating with the Inspection team by keeping the documents ready for inspection at the location where the inspection is proposed to be conducted.

A confirmation in regard to the action taken by them for complying with the above direction should be sent to the Authority within 15 days of the receipt of this order.

Place: Hyderabad  
Date: 04-01-2018

  
(P.J. Joseph)  
Member (Non-Life)

