



Ref: IRDA/TPA/MISC/ORD/229/12/2015

**FINAL ORDER**

**In the matter of M/s. Spurthi Meditech (TPA) Solutions Pvt. Ltd.**

Based on the reply to Show Cause Notice dated 05-08-2015 and submissions made during Personal Hearing Chaired by Mr. T.S. Vijayan, Chairman, IRDAI, on 17-11-2015 at 1500 hrs. at the office of Insurance Regulatory and Development Authority of India, 3<sup>rd</sup> Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad.

Show Cause Notice dated 05<sup>th</sup> August, 2015, (SCN) on observed deficiencies in the functioning of licensed TPA namely; M/s. Spurthi Meditech (TPA) Solutions Pvt. Ltd. (hereafter referred as Spurthi TPA / the TPA) was issued and in deference to the entity's request a personal hearing was accorded on 17<sup>th</sup> November, 2015. The TPA Company represented by Mr. K. Prasanna Kumar, Director and Mr. R. Satish Kumar, Director. On behalf of the Authority Mrs. Yegna Priya Bharath, Joint Director (Health), Mr. DVS Ramesh, Deputy Director (Health - Policy) and Mr. Bhaskar Khadakbhavi, Assistant Director (Health – TPA), were present in the personal hearing.

The submissions made by the TPA in their written replies vide their letter dated 12-08-2015 to the Show Cause Notice issued by the Authority and those made during the course of personal hearing were also taken into account.

The findings on explanation offered by Spurthi TPA to the issues raised in the Show Cause Notice and the decisions are as follows;

**1. Charge no. 1:**

Non submission of details for two directors in Form TPA-3, for renewal of TPA registration.

**Violation** of Reg. 11 (1) to be read with Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001.

**Reply of Spurthi TPA:**

It was purely an unintentional error and the TPA requested to condone the mistake.

**2. Charge no. 2 (a):**

Spurthi TPA as on 28-12-2013 had **increased its equity shareholding by 147.13 percent**. Prior approval of the Authority was not obtained before effecting the changes in shareholding pattern.

**Reply of Spurthi TPA:**

The paid up capital was increased to Rs.2.50 Crs. The increase of additional Rs. 1.50 Crores is only to strengthen the working capital requirement of the company and requested to condone the mistake.

**3. Charge No. 2 (b):**

Spurthi TPA had not filed quarterly Form - TPA-5A with the Authority till date.



**Reply of Spurthi TPA:**

Requested to condone the mistake and submitted that they will file all required returns within specified time lines in future.

4. **Charge No. 2 (c):**

The Authority vide letter dated 23-06-2014 had raised the above query with Spurthi TPA. In response to which Spurthi TPA, vide letter dated 27-06-2014 had confirmed that, there are no violations to the provisions of TPA Regulations, as amended from time to time.

**Charge nos. 2 (a) to (c) are in Violation** of Reg. 3 (7) of IRDA (TPA – Health Services) (First Amendment) Regulation 2013 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Spurthi TPA:**

Requested to condone the mistake.

5. **Charge No. 3:**

**Working Capital Requirement:** It was noted from the records that Spurthi TPA did not comply with this regulation as mentioned hereunder, continuously since commencement of operations of the Company.

Sr. No.	Financial Year	Available Working Capital (Amt. Rs. in Lakhs)
1	2010-11	1.79
2	2011-12	6.58
3	2012-13	(156.79)
4	2013-14	(25.58)
5	As at 23-05-2014	95.06
6	As at 31-12-2014	(29.47)
7	2014-15	31.39 (As per A.R. of the TPA Co.)

**Violation** of Reg. 3 (4) of IRDA (TPA – Health Services) Regulation, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Spurthi TPA:**

The Company accepts the fact that at any given point of time that they did not have clear cut working capital of one crore which is meant for working capital of the company.

6. **Charge No. 4 (a):**

The Authority had advised Spurthi TPA to submit a certificate from auditors about the status of the working capital. However, Spurthi TPA had not submitted the same.

**Violation** of Reg. 21 (1) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulations, 2001.





**Reply of Spurthi TPA:**

The TPA admitted non submission of auditors' certificate regarding the status of working capital.

**7. Charge No. 4 (b):**

Spurthi TPA had undertaken that;

*".... Further, we the undersigned directors on behalf of the Company do hereby UNDERTAKE henceforth the compliance of Working Capital Requirement as per Regulation 3 (4) of IRDA (TPA – Health Services) Regulations, 2001, in total and without any violation of the Rules laid by IRDA for FOREVER...."*

However, the TPA Co. did not maintain the specified working capital even after said undertaking submitted.

**Violation** of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Spurthi TPA:**

The Company admitted its mistake of not maintaining working capital as stipulated by the Authority.

**8. Charge No. 4 (c):**

Spurthi TPA had submitted that, their working capital as at 31-03-2014 is Rs. 116.64 lakhs, however, the same was not certified by the Auditors of the TPA Company. Neither M/s R Mohan & Co, that conducted the audit of the TPA certified the Working Capital, hence cannot be considered. Submitting uncertified figure of working capital is not a professional manner of dealing with regulatory compliance issues.

Violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Spurthi TPA:**

The Company submitted a certificate that the working capital as at 31-03-2014 is Rs. 116.64 Lakhs considering GROSS CURRENT ASSETS minus GROSS CURRENT LIABILITIES which included all current and non-current assets. Hence the figure was arrived.

**9. Charge No. 5:**

**Two versions of audited balance sheets for the FY 2013-14:** Spurthi TPA had filed two versions of audited balance sheets with the Authority. A change in figures of current liabilities lead to huge difference in working capital computation.

Submission of two different versions of audited balance sheets is not a professional manner of dealing with regulatory compliance issues and in **Violation** of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.



**Reply of Spurthi TPA:**

The TPA submitted the correct version of the balance sheet to the Regulatory Authority which is as per the new Companies Act. Unfortunately by mistake old draft was scanned and submitted. The TPA also submitted that the mistake of sending the old draft version of Financials is inadvertent and regret for inconvenience caused to the Regulatory Authority.

10. **Charge No. 6:**

**Discrepancy in the amounts of audited financials for FY 2013-14:** It was observed that various amounts under the Head Long term and Short term Borrowing, as shown in the audited financial statements for the financial year 2013-14 were not reflected "as it is" in the audited financial statements for financial year 2014-15.

**Violation** of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Spurthi TPA:**

The TPA submitted that the difference is owing to the transfer of dues payable to one of the deceased Directors to the Unsecured Loan Account. The TPA submitted that it has transferred such amount to meet the requirements of Income Tax Act / Companies Act and not to mislead the Regulatory Authority.

11. **Charge No. 7 (a):**

**Shareholding in the name of Late Shri. B.M. Mohan:** As per Directors Report of Spurthi TPA for the FY 2012-13, Shri. B.M. Mohan expired on 04-02-2013. As per records, Late Shri. B.M. Mohan is shown as a shareholder of Spurthi TPA, and with 55330 equity share holding amounting to Rs. 55.33 lakhs.

This continuing of 22.13% shareholding in the name of deceased person is not a professional manner of dealing with regulatory compliance issues.

**Violation** of Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001

**Reply of Spurthi TPA:**

The TPA submitted that the family members of late Shri. B M Mohan are yet to decide on this issue.

12. **Charge No. 7 (b):**

**Long-term and or Short – term borrowings from Late Shri. B.M. Mohan:** As per audited financials of Sputhi TPA the long term borrowings and or unsecured loans are without interest and repayable in 2 or 3 years. The audited financial statements of Spurthi TPA recorded certain amounts of borrowings from late Shri B M Mohan, which is not acceptable.

**Violation of** Reg. 21 (1) of IRDA (TPA – Health Services) Regulations, 2001 and attract provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.





**Reply of Spurthi TPA:**

In FY 2013-14 some amount was transferred from Share application pending money to long term borrowings with the due concurrence of family members of the deceased Director.

In FY 2014-15 certain amounts payable to Mr. Mohan towards expenses and consultancy charges respectively were clubbed and transferred as total amount towards long term borrowing account of the deceased Director.

**Decision for Charge No.: 3:**

As observed in respect of charge no. 3 of the SCN and the submissions made by the TPA, the TPA Company did not comply with the Working Capital requirements, since commencement of its operations. This is in violation of the Regulations referred herein.

Thus, there is no material matter to consider the submissions of the TPA Company. In view of this, and as per provisions of Regulation 13 to be read with Regulation 14 (8) of IRDA (TPA – Health Services) Regulation, 2001, the Authority rejects the application for renewal of TPA license No. 33 filed by **M/s. Spurthi Meditech (TPA) Solutions Pvt. Ltd.**

In view of the above there is no reason to take any regulatory action in respect of the remaining charges of the SCN referred herein.

Following directions are to be complied with, in view of rejection of application for renewal of TPA License No. 33 of Spurthi TPA;

- Spurthi TPA is advised to remove word TPA from name of its Company.
- In terms of Regulation 17 of IRDA (TPA – Health Services) Regulations, 2001, all insurers who are having TPA agreement with Spurthi TPA, shall immediately take such alternative steps including appointment of another TPA, if any, as may be necessary to continue to cater to the policy holders served by Spurthi TPA.
- Spurthi TPA shall immediately submit the data collected and the books, records or documents etc., relating to the TPA business carried on by it to the respective insurers.
- Spurthi TPA shall cooperate with insurance companies in making suitable alternate arrangements to service the policy holders in respect of whom the policies are in force.
- Spurthi TPA shall, reconcile and close the accounts with concerned insurance companies and network providers.

All the insurance companies that engaged the services of Spurthi TPA shall submit an action taken report to Joint Director (Health), IRDAI in respect of the above directions within three months from the date of this order.

Place : Hyderabad

Date : 31-12-2015

  
T.S. Vijayan  
Chairman