



Ref: IRDA/TPA/MISC/ORD/140/08/2018

**Final Order issued under the provisions of Regulation 10(1)(b) of IRDAI (Third Party Administrators- Health Services) Regulations, 2016 to be read with Section 42 E of the Insurance Act, 1938 in the matter of M/s DJK Healthcare Insurance TPA Pvt. Ltd. (Applicant)**

Based on the reply to Show Cause Notice dated 24.11.2017 and submissions made during Personal Hearing chaired by Mr. P J Joseph, Member, IRDAI, on 07.06.2018 at 14.30 hrs. through Video Conferencing at the office of Insurance Regulatory and Development Authority of India, Financial District, Nanakramguda, Hyderabad.

Pursuant to the application dated 27.01.2015 filed by DJK Healthcare Insurance TPA Pvt. Ltd. (Applicant TPA Company) seeking grant of TPA registration and subsequent correspondence with the Authority.

1. **Background:** The Applicant TPA Company submitted the Application in Form TPA-1 under the provisions of IRDA (Third Party Administrators – Health Services) Regulations, 2001 as amended from time to time (hereafter referred as TPA Regulations, 2001) seeking Certificate of Registration with the Authority on 27.01.2015 to function as a Third Party Administrator (TPA). From the Application seeking Registration as a TPA Company it is observed that the company is promoted by ten individual promoters and two Hindu Undivided Families (HUFs).

a) On reviewing the application, certain pertinent information relating to the application and the financial credentials of the promoters of the applicant company was called for vide letters dated 19.05.2015, 07.10.2015 and 08.12.2015. The letters dated 19.05.2015 and 07.10.2015 which were addressed to the addressee mentioned in the application (Form TPA – 1) returned undelivered with a comment that the addressee is not found. The scanned copy of the letter dated 19.05.2015 was also forwarded to the e-mail Id available in some of the records furnished by the Applicant Company.

b) While the Application was under review, TPA Regulations, 2001 have undergone modification and the Authority notified IRDAI (Third Party Administrators – Health Services) Regulations, 2016 (hereafter referred as TPA Regulations, 2016) on 14.03.2016. In accordance to the provisions of Regulation 26(3) of TPA Regulations, 2016 all the applications that were under

the consideration of the Authority shall be in compliance with the TPA Regulations, 2016. As per the provisions of Regulation 3(3) of TPA Regulations, 2001, an Applicant TPA Company shall have a minimum paid up capital of Rs 1 Crore. Whereas in accordance to the provisions of Regulation 6(2) of TPA Regulations, 2016 an Applicant TPA Company seeking Certificate of Registration as a TPA shall have a minimum paid-up capital of Rs 4 Crores. Vide letter dated 08.06.2016 the Applicant TPA Company was informed to submit fresh application as per the provisions of TPA Regulations, 2016. The Applicant TPA Company vide letter dated 05.12.2016 submitted fresh application (hereafter referred as application).

2. While examining the application, as part of carrying out the financial due diligence the certified net worth of various individual promoters, further information in respect of six promoters was called for at various points of time, viz, on 19.01.2017, 10.03.2017 and 22.06.2017.
3. On observing deficiencies in the information furnished, the Authority issued a Show Cause Notice dated 24.11.2017 seeking an explanation as to why the application of the Applicant TPA Company be not rejected in accordance to the provisions of Regulation 10(1)(b) to be read with Reg 8(2) (c) of TPA Regulations, 2016. The Applicant TPA Company was also asked to inform if it desires any personal hearing. The Applicant Company vide letter dated 18.12.2017 made their submissions and informed that it wishes to have personal hearing. The Authority vide e-mail dated 04.04.2018 informed about granting the personal hearing on 13.04.2018. But vide e-mail dated 12.04.2018, the Applicant TPA Company requested for postponing the personal hearing and sought further time of 30 days to furnish certain additional information which was not furnished within the timelines sought. The Authority vide letter dated 24.05.2018 again asked the applicant company to appear for the personal hearing scheduled on 07.06.2018 failing which it was categorically mentioned that the matter would be examined for further necessary action based on the material available on records. The Authority accorded a personal hearing on 07.06.2018 through video conferencing. The representatives of the Applicant Company participated in the video conference from the Regional Office of the Authority, New Delhi.
4. The Applicant Company was represented by (1) Mr. Dinesh Kumar Jain (2) Dr. Dinesh Bansal (3)CA Ankita Prabhakar (4) Mr. Virendra Kumar Miglani. On behalf of IRDAI, (1) Mr Suresh Mathur, Executive Director (Health), (2) Mr. D.V.S. Ramesh, General Manager (Health) (3) Ms. Manju Choudhary, Assistant Manager (Health)

5. **Charge: Violation of Regulation 10 (1) (b) to be read with Regulation 8 (2) (c) of IRDAI (TPA-Health Services) Regulations,2016.**

The issues raised in the Show Cause Notice dated 24.11.2017 in respect of financial credentials of the following individual promoters, submissions made by the applicant company in their letter dated 18.12.2017, submissions made in the personal hearing dated 07.06.2018 and observations thereon are placed hereunder respectively.

**a. Mr Kartik Bansal**

This Individual Promoter infused Rs. **60 lacs** in the applicant TPA. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is employed with a company and is having income as per the ITR Certificate for FY 2016-17. It is further submitted that the sum insured value of the life policy is taken as surrender value and that there was a FD taken from the proceeds of sale of land held with another promoter in which he was a co-beneficiary.

**Findings of Authority:** From the information furnished relating to the Net worth certificates of this promoter, that is, both as at 12-01-2016 (before infusing the capital in TPA) and as at 31-12-2016 (after infusing the capital in TPA) it is observed that the Net Worth of the promoter is not supporting the sources of the capital infused.

**b. Ms Jyoti Bansal**

This promoter has infused **Rs. 62 Lacs** in the Applicant TPA. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is employed with a school and is having income as per the ITR Certificate for FY 2015-16. It is further submitted that that there was a FD taken from the proceeds of sale of land held with another promoter in which it was informed that she was a co-beneficiary.

**Findings of Authority:** From the Net worth certificate as at 12-01-2016 (Before infusing the capital in TPA) and the net-worth certificate as at 31-12-2016 (after infusing the capital



in TPA) furnished by this promoter, it is observed that the sources of the capital infused by the promoter are not known and the promoter didn't have enough Current Assets at the time of infusing the desired capital.

**c. Ms Arpana Bansal**

This promoter has infused Rs. 33 Lacs in the Applicant TPA. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is a doctor and is having income as per ITR for FY 2016-17. It is further submitted that certain valuable items were owned by this promoter at the time of marriage and subsequent purchases over a period of time which was not included in the earlier certificates for want of proper valuation. It is further submitted by the Applicant TPA company that this promoter was initially a subscriber of Rs 50,000 value of shares of Ishan Hospitals, however, subsequently the paid up capital of Ishan Hospitals was increased to Rs. 30 lakhs and he was allotted further shares worth Rs. 14.5 lakhs.

**Findings of Authority:** The Net worth certificate as at 31-03-2015 submitted vide letter dated 05-12-2016) (Before infusing the capital in TPA) and the net-worth certificate as at 31-12-2016 (after infusing the capital in TPA) did not support the sources of funds for infusing the desired capital. Moreover, it is also observed that the promoter didn't have enough current assets at the time of infusing the capital in the TPA.

**d. Mr. Dinesh Bansal**

This promoter has infused Rs. 38.50 Lacs in the Applicant TPA Company. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is a doctor and is having income as per ITR for FY 2016-17. It is further submitted by the Applicant TPA Company that this promoter was initially a subscriber of Rs 50000 value of shares of Ishan Hospitals, however, subsequently the paid up capital of Ishan Hospitals was increased to Rs. 30 lakhs and he was allotted further shares worth Rs. 14.5 lakhs. The Applicant TPA Company further submitted that net-worth certificate dated 03-10-2017 was provided basis on the availability of funds in bank account. The Applicant further submitted that since, the



paid-up capital was infused before furnishing application for TPA, the investment made into DJK TPA was not reflected in the net-worth certificate subsequent to the Application.

**Findings of Authority:** The Net worth certificate as at 31-03-2015 furnished vide letter dated 05-12-2016 (Before infusing the capital in TPA) and the net-worth certificate as at 31-12-2016 did not support the sources of funds for infusing the capital and the liquid assets of the promoter are not commensurate with his shareholding in the company.

**e. Ms. Kusum Lata**

A capital of Rs. 33.50 Lacs was infused into the Applicant TPA by this promoter. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is having income as per ITR for FY 2016-17. It is further submitted by the Applicant that the shareholding of the promoter is RS. 33.50 lakhs, which has been already infused by the promoter and she has also resolved to dispose of non-liquid assets to meet the liquidity in the TPA, if needed. The Applicant further submitted that since, the paid-up capital was infused before furnishing application for TPA , the investment made into DJK TPA was not reflected in the net-worth certificate subsequent to the Application.

**Findings of Authority:** The underlying current assets demonstrated in the Net worth certificate as at 31-03-2015 (Before infusing the capital) and the net-worth certificate as at 31-12-2016 (after infusing the capital) of this promoter is found not commensurate with the capital infused

**f. Ms. Meena Bansal**

This promoter has infused Rs. 50 Lacs in the Applicant TPA. However, the Certificate of net-worth furnished in support of the financials of this promoter is found to be not satisfactory.

The Applicant TPA Company, inter alia, submitted that this promoter is having income as per ITR for FY 2015-16 and the promoter resolved to infuse the proceeds of her investment into TPA business, if needed. The Applicant company further submitted that the promoter owned the shares of listed companies since very long which were purchased out of her income and savings from past 20 years and since the Authority wanted greater net-worth,



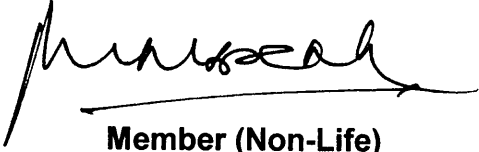
they included in the new-worth certificate. It is further submitted that surrender value of Life policies was considered in net-worth including the estimated incremental value of Rs. 4.4 lakhs.

**Findings of Authority:** The current assets demonstrated in the Net worth certificate as at 12-01-2016 (Before infusing the capital in TPA) and the net-worth certificate as at 31-12-2016 (after infusing the capital in TPA) were not commensurate with the capital infused.

6. The Applicant TPA Company in the Personal Hearing held on 07.06.2018, submitted that it proposes to introduce one director and shareholder in the company. It further submitted that documents in support of sources of funds with respect to above referred six promoters would be furnished in one month from the date of the said personal hearing. The Applicant TPA Company has also sought additional time to furnish the documents/information to Authority. The Applicant TPA Company vide letter dated 06.07.2018 informed that they will submit the documents by 13.07.2018. However, the Applicant TPA Company did not furnish any information / documents as submitted in the personal hearing.
7. **Decision of Authority:** There is no merit in the submissions of the Applicant TPA Company in respect of the net worth of the above six promoters. Taking into consideration the information furnished by the Applicant TPA Company at various points of time as referred herein, the Authority in terms of Regulation 10 (1) (b) to be read with 8(2) (c) of IRDAI (TPA-Health Services) Regulations, 2016 rejects the Application submitted by the Applicant TPA Company seeking Certificate of Registration.
8. If the Applicant TPA Company is aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal in accordance to the provisions of Section 110 of the Insurance Act, 1938.

**Place: Hyderabad**

**Date: 31-08-2018**

  
Member (Non-Life)  
