



Ref No: IRDAI/HLT/MISC/ORD/007/01/2019

Order in the matter of
M/s E-Meditek Health Insurance TPA Limited

Order of the Insurance Regulatory and Development Authority of India under the provisions of Regulation 16 (1) of IRDAI (TPA-Health Services) Regulations, 2016.

Cancellation of Certificate of Registration of M/S E-Meditek Health Insurance TPA Limited
Certificate of Registration Number: 007


BACKGROUND: -

Pursuant to the receipt of a whistle blower's complaint dated 04.09.2017, the IRDAI has carried out an onsite inspection of E-Meditek Insurance TPA Limited (hereafter referred as E-Meditek TPA or the TPA) during 13.11.2017 to 17.11.2017. On examining the inspection observations, the Certificate of Registration of E-Meditek TPA was suspended under the provisions of Regulation 16(3) of IRDAI (TPA-Health Services) Regulations, 2016 vide the IRDAI order Ref No: 298/IRDAI/TPA/EIR/2018-19 dated 20.03.2018. E-Meditek TPA challenged the said order of IRDAI before the Hon'ble SAT, the Hon'ble SAT vide its order dated 23.03.2018 stayed the operation of the IRDAI Order dated 20.03.2018 with a direction to give an opportunity of hearing.

In deference to the said order, the Inspection Report along with the Annexures referred therein were forwarded to E-Meditek TPA Company vide IRDAI's letter dated 27.03.2018 / e-mail dated 27.03.2018. In response to the said letter, E-Meditek TPA, vide letter dated 23.04.2018 forwarded their submissions. On examining the submissions made by the TPA some additional information / data was sought from E-Meditek TPA vide IRDAI e-mail dated 27.07.2018 which was responded to vide letter dated 20.08.2018

On examination of submissions made by E-Meditek TPA vide letters dated 23.04.2018 and 20.08.2018, it is observed that E-Meditek TPA has violated various provisions of the Insurance Act, 1938 and Regulations / circulars / guidelines issued by the IRDAI. Accordingly;

- a) Show Cause Notice dated 17th October, 2018, (SCN) was issued to M/S E-Meditek Insurance TPA Limited on various irregularities noticed in the functioning of the TPA and in deference to the entity's request vide their letter dated 05-11-2018, a personal hearing was accorded on 05-12-2018. The TPA was represented by Mr Gopal Verma, Managing Director, Ms Ajanta Tyagi, General Manager and Mr Praveen Gupta, Financial Advisor. On behalf of the IRDAI, Mr Suresh Mathur, Executive Director, Mr DVS Ramesh General Manager, Mr D.P.Pattanaik, OSD, Mr Hima Kiran, AGM, Mr K. Sreekanth, OSD and Ms. Manju Choudhary Assistant Manager, were present in the


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personal hearing. Personal Hearing was chaired by Mr P.J.Joseph, Member (Non-Life).

- b) The submissions made by TPA in their written replies vide letters dated 23.04.2018, 20.08.2018 and reply to SCN dated 05-11-2018 and also submissions made during the course of personal hearing on 05.12.2018 and further additional information submitted vide E-Mail dated 10.12.2018 were taken into account.
- c) The charges framed in the Show Cause Notice, the submissions made by the TPA; in brief, and the decisions are as follows;

1. **CHARGE – 1:**

It is observed from the FIR No 0468 dated 06.11.2017 filed by E-Meditek TPA in Gurugram police station, inter alia, it is stated that, the conspiracy was hatched by the accused persons (as mentioned in the FIR) and was well planned and strategized around 2015 itself and that, the accused employees, have siphoned prodigious sums of monies from the complainant companies EiCORE Technologies Pvt. Ltd. & E-Meditek Insurance TPA Ltd. It is further stated that, it is suspected that, the accused employees are in collusion carried out illegal transactions by creating false or fictitious insurance claims and then sabotaged the records or misrepresented the records and statements for internal and external circulations.

From the said FIR, it is noted that, E-Meditek TPA has allowed an access to all sensitive and confidential TPA business information to the persons who are not employees of E-Meditek TPA.

As per FIR, though the conspiracy was being planned since 2015 the necessary action such as lodging of FIR was done only in Aug, 2017. Thus, it is evident that E-Meditek TPA failed to put in place systems and internal processes for timely detection of frauds.

It is further observed from WP No. 4516 (W) of 2018 filed before the Hon'ble High Court at Calcutta- E-Meditek Insurance TPA Ltd V/s National Insurance Company Limited & Another, the Hon'ble High Court, held the following.

“From the audit conducted prior to the issuance of the said notice, numerous irregularities and fraud in the claims management by the petitioner were noticed and upon being apprised of such facts, the petitioner itself on the basis of a finding that some of its employees had colluded to perform illegal acts, lodged police complaints against the said employees. It is in the said backdrop of facts, the impugned notice of suspension was issued and there is no infirmity in the decision making process”.

The above findings are in violation of Clause (1), Clause (2) (n), Clause (2) (ii), Clause (2) (jj) of Schedule II read with Reg.23 and Reg.19 (4) of IRDAI (TPA – Health Services) Regulations, 2016. This attracts the provisions of Reg. 16 of IRDAI (TPA – Health Services) Regulations, 2016. Further, if any designated employee participated in or connived at any fraud dishonesty or misrepresentation against an insurer or an insured; it attracts the provisions of Section 42D (5) (d) read with 42D (3) of the Insurance Act, 1938.

RESPONSE OF E-MEDITEK TPA ON CHARGE - 1:

In response to the above, inter alia, it was submitted by E-Meditek TPA that;

- i) some employees might be carrying out some mischievous activity in their individual capacity or in smaller groups and all alleged eleven (11) employees joined hands in 2015 and planned to set up competing business.
- ii) appropriate measures were taken to register case against the alleged employees under Sec 42D (5) (d), 42D (3) of the Insurance Act 1938.
- iii) no access was provided to any unauthorized person.
- iv) measures of taking action against the alleged employees cannot be considered as admission of the company's involvement.

OBASERVATIONS OF THE AUTHORITY ON CHARGE - 1:

- A. The issues raised in the charge are not, whether or not the action of TPA company is correct in filing the FIR against the 'alleged' employees of TPA Company and other group Companies for 'alleged' fraudulent activities. It is reported in the FIR that the accused employees, inter alia, were in possession of and privy to sensitive and confidential business information related to financial records and client operations. It is further reported in the FIR that the accused employees conspired to use the confidential business information, clients' data for swindling of funds and business of the complainant and also received funds by misleading the existing and prospective clients. It is observed that happening of such large scale irregularities indicate serious break down in the internal control systems and procedures. Had effective systems and procedures been put in place by the TPA as claimed in their response, irregularities of such a scale would not have occurred or would have been arrested well in time. It is also observed that, the FIR was lodged only after receipt of whistle blower complaint at the office of the IRDAI. The timing of lodging the FIR, the irregularities observed during the onsite inspection, which are dealt with in the subsequent paras, indicate that the TPA is only attempting to attribute the irregularities to the 'alleged' fraudulent activity of some of the employees and have not addressed the main problem of breakdown of systems, procedures and processes.

In view of the above, it is observed that E-Meditek TPA is functioning in a manner detrimental to the interests of the policyholders and insurers. This is in violation of provisions of Reg. 16 (1) (a), Reg 16 (3) (a) of IRDAI (TPA – Health Services) Regulations, 2016. This is also in violation of Clause (2) (n), (2) (ii) and (2) (jj) of Schedule II read with Reg. 23 and Reg. 19 (4) of IRDAI (Third Party Administrators' – Health Services) Regulations, 2016 and Reg 14 (1) and Reg 14 (7) read with Reg 21 (1) of IRDA (Third Party Administrators' – Health Services) Regulations, 2001.



2. CHARGE - 2:

E-Meditek TPA has not cooperated with inspection team and there was a delay in providing information. It is observed in respect of eleven instances there was a delay in submitting the information to the inspection team and information in respect of seven instances was not furnished / not made available during the course of onsite inspection. This is in violation of Regulation 16 (1) (f), Regulation 19(3) and Regulation 24(4) TPA Regulations, 2016 read with Regulation 25(1) of the TPA Regulations, 2016.

RESPONSE OF E-MEDITEK TPA ON CHARGE - 2:

- i) E-Meditek TPA submitted that, the reasons for delay in submission of information / data to inspection team is sudden vacuum created on account of resignation of key employees of the company.
- ii) Further E-Meditek has also submitted that, the inspection was without prior notice, still they have provided nearly 3000 documents to the inspection team which constitutes 95% of the data / information / documents sought.
- iii) It was also submitted that, they have voluntarily submitted correspondence with United India Insurance Company Ltd. (UIIC) and National Insurance Company Ltd. (NIC) regarding some incidents.

OBSERVATIONS OF THE AUTHORITY ON CHARGE - 2:

- A. The submissions of the TPA that there was a vacuum on account of exit of key employees is not acceptable as the information sought such as details of Network Providers, Form 26Q, Bank Accounts of the TPA and details of claim payments are supposed to be at the disposal of the TPA and is a very routine information. It is observed that in respect of a number of requirements sought as stated in the charge, the TPA has not provided required information /documents to the inspection team. The submissions of the TPA that it has provided 95% of the information is found to be not correct, since significant data / information relating to various requirements as referred in the Charge were not submitted. The information and details which are sought are very critical for the purpose of carrying out the inspection in order to examine whether or not the TPA is functioning in accordance to the statutory and regulatory framework put in place. On observing the charge, as also the submissions of the TPA it is considered that non-submission and delay in submission of the required information / data to the inspection team during the course of onsite inspection is regarded as non-cooperation with Inspection team.
- B. It is also observed that E-Meditek TPA has submitted information on the correspondence between NIC and UIIC based on requirement given by the inspection team on the first day of inspection. Thus, the submission of the TPA that, they have voluntarily submitted correspondence with UIIC and NIC regarding some incidents, is not correct.



Therefore, delay in submission and non-submission of the information / data during the course of the inspection is in violation of Regulation 16 (1) (g), Regulation 19(3) and Regulation 24(4) of TPA Regulations, 2016 read with Regulation 25(1) of the TPA Regulations, 2016.

3. CHARGE-3

It is observed that E-Meditek TPA engaged in empanelment of fake hospitals. To further examine the matter, one of the Insurance Companies was requested to cause an investigation into the alleged enrolment of fake hospitals. The Insurer informed that two hospitals were not in existence in the locations referred in the Inspection findings, one hospital having closed five years ago while one hospital did not have hospital like infrastructure.

Further, on a sample basis, it is found that the following claims were paid for the treatment in the fake Hospitals which are stated to have not been in existence in the inspection report.

SI No	Claim Number	Amount of Claim	Cheque /UTR No /Date
1	122121301012	63959/-	AXISP14023017794 / 23.01.2014
2	122121301956	87996/-	AXISP14023017796 / 23.01.2014
3	108101300170	96293/-	HSBCN13315721631 / 11.11.2013
4	122061302746	28021/-	13704509330Y0M29 / 04.07.2013
5	122071304079	30828/-	13823555537A1M42 / 23.08.2013
6	10871300183	47722/-	HSBCN13248941391 / 05.09.2013

This is in violation of Regulation 14(1) and Reg 14 (7) read with Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE - 3:

In response, the E-Meditek TPA informed that the said incidence pertains to 2012-13, an investigation in 2018 cannot be assertive keeping in mind that the hospital is either closed or name might have been changed. Insurer's investigation cannot be relied as correct as there are possibilities that such providers existed at that point of time or name of the provider has changed. Further E-Meditek has also submitted in response to the charge, that it is apprehended that these claims have taken place against Benami policies and registered a separate police complaint in order to identify the person behind the empanelment of these hospitals. It is further submitted that the TPA has also taken appropriate steps in 2013 itself immediately when some adverse claim transactions were noted from these hospitals.

OBSERVATIONS OF THE AUTHORITY ON CHARGE - 3:

From the inspection observation, it is observed that E-Meditek TPA, had not only enrolled the Hospitals which are not in existence but also claims were shown to have been settled for the treatment taken in such hospitals. E-Meditek TPA has submitted contradictory statements. In the initial submissions forwarded vide letter dated 23rd April, 2018 it was submitted that the TPA had a robust system and process to empanel the hospitals electronically as well as manually. In response to the Charge vide letter dated 05th Nov, 2018 the TPA submitted that a police complaint was lodged to identify the person behind the empanelment of these hospitals. As E-Meditek TPA itself has lodged police complaint in this regard the submissions of the TPA that the Insurer's investigation cannot be relied upon cannot be accepted. The submissions of the TPA that it has taken appropriate steps in 2013 itself are not acceptable, as it is established that payments referred in Charge 3 above were made even after 2013 and that the investigation carried out by the Insurer confirmed nonexistence of the hospitals at the time of the payments. It is therefore, concluded that the payments are made fictitiously to the non-existent hospitals.

Hence, this is in violation of Regulation 14(1) and Reg 14 (7) read with Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

4. CHARGE - 4:

- A. Charge 4 (A): It was alleged in the complaint that, claim payments amounting to about Rs 10.33 Crores were collected towards payment of **about 4300 claim cases** from the concerned insurers. However, the same is not paid to Network Providers / claimants / beneficiaries as the case may be. On a sample basis 20 cases were examined. On examining the inspection observations and the submissions of the E-Meditek TPA it is observed that the payment stated to have been made by TPA are part of the consolidated amount and do not validate having paid to the individual claimants / beneficiaries. Hence, it is considered as in violation of Regulation 16(1) (a) of IRDAI (Health Services Regulations, 2016 and Regulation 14(1) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(A):

The TPA submitted that the consolidated payments have been made by the bank as per its process and that they do not have any control on such process of the bank. It is further submitted that in all the cases the recipients had their account in the same bank and that is how the bank reflected the entries.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(A):

On examining the submissions of the TPA and the supporting information relating to the twenty sample cases it is observed that in respect of eleven cases the refunds were made to the concerned insurance company. In respect of nine cases it has furnished the details of the payments made to the beneficiaries. Therefore, the

submissions made by the Insurer are considered and taken on record, charges are not pressed on this issue.

- B. Charge 4(B): In respect of Servicing of one of Group Medclaim Policies Issued by National Insurance Company Limited, on examination of correspondence between E-Meditek TPA and National Insurance Company the following are observed
- i. There was a fraudulent claim credited to different person's account by misusing member's ID
 - ii. Random verification of 99 claim files revealed that fraudulent payments amounting to Rs. 1,16,78,215 were made, 257 Fictitious Claims to the extent of Rs 22,27,379 were paid to Non-Group Persons, Rs 4,57,206 was paid exceeding OPD limits and that certain bogus claims were also settled.
 - iii. It was also stated that the insurance company had suffered a loss of Rs 1,46,65,903/- due to unprofessional handling and payment of fraudulent claims.
 - iv. The payment / settlement of such fictitious claims by E-Meditek TPA is a serious irregularity and is in violation of Regulation 16(1)(a), 16(1)(f), 16(1)(j) and clause 1 of schedule-II read with Regulation 23 of IRDAI (TPA-Health Services) Regulations,2016

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(B):

E-Meditek TPA submitted that there was a false 'system alert' thru SMS to the said beneficiary resulting into a complaint and that the Insurer carried out special Audit of 15000 files but could not identify any such transactions.

E-Meditek TPA also submitted that 99 claims and 257 claims referred in the charge are part of the sum of Rs 1,46,65,903/-. The TPA further submitted that the said fraudulent claims were actually caught by it and reported to the insurer and that the police report was also filed against the said Hospital when it was identified and black listed.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(B):

On examining submissions it is noticed that the fraudulent payment / fictitious settlement of claims by E-Meditek TPA is a serious irregularity. It is observed that in a related case filed by E-Meditek TPA (WP No 4516(W) of 2018 E-Meditek TPA Vs National Insurance Company Limited), where the TPA challenged notice for suspension of service level agreement by National Insurance Company, the Hon'ble High Court at Calcutta while refusing to grant relief to the TPA and dismissing their petition observed in in para 17 and 20 of Judgement vide dated 29.08.2018 as under;

"Upon conducting a special audit followed by an audit by the vigilance department, it was ascertained that ninety-nine reimbursement claims appeared to be fictitious as the names of persons to whom

reimbursement payments were made are different from the names of the insured / patients/ nominees. Such fraudulent practice as surfaced was the basis towards issuance of the notice dated 26th October, 2016 by which the petitioner was called upon to deposit an amount of Rs 1,45,43,599/- and to explain why NIC shall not discontinue utilizing the services of the petitioner. By a letter dated 2nd August 2017 issued to NIC the petitioner has stated that a few of its employees have colluded to perform some illegal acts which include manipulating claims and that some of the said employees have been identified and that a police complaint had been lodged against eight employees. In the backdrop of such facts, the argument of Mr. Kar that such incident cannot be a deterrent towards continuance of relationship is not acceptable to this Court. It would be iniquitous to persuade NIC to continue its relationship with the petitioner when it had lost its faith and trust. As such the directions as prayed for in the instant petition would tantamount to grant of a premium to a recalcitrant party to the contract”.

“A perusal of the impugned notice would reveal that the same was preceded by various correspondences and discussions between NIC with petitioner. From the audit conducted prior to the issuance of the said notice, numerous irregularities and fraud in the claims management by the petitioner were noticed and upon being apprised of such facts, the petitioner itself on the basis of a finding that some of its employees had colluded to perform illegal acts, lodged police complaints against the said employees. It is in the said backdrop of facts, the impugned notice of suspension was issued and there is no infirmity in the decision making process”.

The same set of facts that were referred in charge (4) (B) were also established before the Hon'ble High Court as a result of which the action taken by National Insurance Company cancelling the service level agreement was upheld. Therefore, indulging in fraudulent activities by a TPA is a grave violation attracting the provisions referred in the charge. Thus, the payment of fictitious claims is in violation of Regulation 16(1)(a), 16(1)(f), 16(1)(j) and clause 1 of schedule-II read with Regulation 23 of IRDAI (TPA-Health Services) Regulations,2016.

C. Charge – 4 (C): In certain cases, claims were marked as settled in the claims dump. However, it was noted that the claim amounts marked as settled in claims dump were transferred back to Bank Account of the TPA. The sample list of 12 cases were reviewed and forwarded to the concerned Insurance Company to furnish the details of the status of the claim as per the records of their company. In respect one of the claims the insurer has stated that the Insured had not made any claim nor did he receive any claim on 06.07.2018 and that the claimant also confirmed that neither he had made any claim nor he received any amount towards settlement of claim. This attracts the provisions of Regulation 16(1) (a) and is in violation of Clause (1) of Schedule



It read with Regulation (23) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(C):

E-Meditek TPA submitted the details of the claim paid to the claimant. Further it was submitted that the allegation of false claim or payment was found to be incorrect and baseless.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(C):

Submissions of the TPA are contradictory to the information furnished by the concerned insurance company. The submissions of the Insurer based on the confirmation of the claimant is more credible and reliable. Therefore, the submissions of the TPA do not deserve any consideration. Hence, it is considered that the TPA has violated the provisions of Regulation 16(1) (a) and Clause (1) of Schedule II read with Regulation (23) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

- D. Charge 4(D): On examining the sample "Cashless" claims from the accounting system of E-Meditek TPA in respect of two claim numbers it is observed that though the claim is stated to have been paid / shown as paid, actual payment has not been made. In respect of one of the claims it is observed that the payments were made with a delay of more than one year. Nonpayment of claims and showing the status of the claim as "paid" is in violation of the Regulation 16(1)(a) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001. Further delay in settlement of claim, attracts the provisions of the Regulation 9(6) of IRDAI (Protection of Policy holders' interest) Regulations, 2002.

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(D)

The TPA submitted that the circumstances for deviation or inconsistency could be (a) Non-integration of Claim and Accounting system (b) Non-receipt of the information by Insurer (c) Wrong information received by insurer (d) Data not updated in the system (e) Data purposely distorted by the alleged employees (f) Amount refunded of adjusted against other claims. Further, during the personal hearing the TPA informed that in respect of one of the claims the claim was paid on 10.07.2012 and in respect of another claim the NEFT was rejected. In respect of the delayed case, the TPA informed that the claim was paid on 24.03.2013.



OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(D):

It may be noted that the process of cashless authorization shall be at the point of admission of the insured into any network provider and the payment to the network provider shall be made only post authorization. On examining the submissions made by E-Meditek TPA, it is noticed that in respect of one of the claims where the TPA admitted having paid on 10.07.2012 it is observed from the claim assessment sheet obtained during the course of inspection that the payment was actually authorised on 06.10.2012. The payment is made three months prior to the authorization. Thus, the submissions of the TPA are misleading considering that no payment can be made unless prior authorization is granted and therefore not acceptable. This is in violation of Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

In respect of another claim where the TPA informed rejection of the NEFT and in respect of delayed settlement of claim the submissions of the TPA are examined and taken on record and charges are not pressed.

- E. Charge 4(E): In respect of one of the group policies, on an examination of fifteen sample cashless claims, it was observed that, as per accounting system no payment was made against these claims. But on a review of three claims it was mentioned as NEFT was done, but in accounting system of the TPA no payment was made against these claims. On referring the matter to the concerned Insurance Company, the Insurer confirmed having replenished Rs 16,37,890 during Feb – May, 2014 to the TPA towards settlement of 15 Claims. In respect the reimbursement claims, a sample of 5 claims were examined and found that 2 out of 5 claims are pending for settlement and status of the 3 claims was shown as paid despite all of them were approved for payment during the years 2013-14 and 2014-15. However, it was observed from the accounting system that no payment was made against these claims. On referring this matter to the concerned insurer it is confirmed that in respect of three cases the insurer replenished the amount to the TPA during March, 2014. On examining the submissions of the TPA and the information furnished by the Insurer, it is considered that the Nonpayment of claims even after collecting the remittances is in violation Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(E):

In response to the charge the TPA did not furnish any response. During the personal hearing, the TPA informed that in respect of six cases amounts are adjusted against advance payment made to hospitals to the tune of Rs 12,93,873. It furnished details of the payments along with Cheque / UTR Numbers stated to have been made in respect of eleven cases.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(E):

The submissions of the TPA that in respect of six cases the amounts were adjusted out of advance payments made to hospitals are examined. The system of making advance payments by TPA to the hospitals shall not arise even under a system where the TPA is managing the float accounts on behalf of the Insurers for the purpose of making the onward remittances to the Hospitals. It is expected that a TPA shall function in accordance to the regulatory framework specified by the Authority. Thus, the need for making any advance payments to the hospitals shall not arise, hence, the submissions of the TPA in this regard are not acceptable. Therefore, it is clear that the TPA has violated the provisions of Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001.

With reference to the details of the payments stated to have been made in respect of eleven cases on examining the details of Cheque / UTR Nos. the submissions of the TPA are taken on record and charges are not pressed.

- F. Charge 4(F): In respect of a sample of eight "CASHLESS" claims settled by the TPA amounting to Rs. 21.75 Lakhs, it was observed that, as per accounting system, payment was made against these claims. However, from the bank account statement of the TPA it was observed that, on the same payment date, the same amounts were credited back to another Bank Account of the TPA. This is in violation of Regulation 16(1)(a) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21 (1) read with Regulation 14 (7) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 4(F):

In response to the above charge of the Show Cause Notice the TPA did not furnish any specific response. However, during the personal hearing, the TPA inter alia, has submitted that one of the Insurers did not switch over to direct claims payment to the policyholders and service providers until mid-2017 and they had severe liquidity crunch. E-Meditek TPA further submitted that the delay by insurer in releasing the claim floats to the TPA lead to a situation where-in amount originally received for paying some claims were actually paid towards other claims, while the original claims await the approval of the Insurer. Therefore, in order to identify these transactions, the TPA adopted such business process to identify such claim transactions in reconciling the accounts with the insurers. Having reconciled the said amount there is no such demand from any of the insurer.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 4(F):

On examining the submissions of the TPA, it is stated that for a TPA it is important to sort out the issues directly with the Insurer for making remittances to the claimants. The submissions of the TPA that the funds received in respect of some claims were used to settle another set of claims, also indicate that the TPA did not

settle the claims in respect of which the payments were received. Thus, the submissions of diverting funds received for settlement of some specific claims for the payment of other claims are not acceptable and it is a serious financial irregularity. Further, the submission of the E-Meditek TPA that there is 'no such demand from any of the insurer' indicates that the systems and procedures put in place by E-Meditek TPA are 'reactive' in nature instead of 'pro-active' and fool-proof to fix the gaps in time.

Hence, It is considered that the observations referred in the Charge are in violation of the provisions of Regulation 16(1)(a) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21 (1) read with Regulation 14 (7) of IRDA (TPA-Health Services) Regulations, 2001.

5. **CHARGE -5**

While examining the Correspondence between E-Meditek TPA and United India Insurance Co Ltd. it was noted that the Insurer vide email dated 19-09-2017 had called for sixty (60) claim files to their head office. In this regard, E-Meditek TPA vide letter dated 15-11-2017 had submitted to UIIC, that "Neither the records were found in their system nor Documents / Hard files could be located in DMS system". *Despite the same "E-Meditek TPA, had showed willingness to indemnify the amount of Rs. 51.16 lakh to UIIC for said 60 claims."* To further examine the matter, the Authority had advised UIIC to provide information inter alia on "Nature of irregularities observed in the processing of the 60 claims referred above.". In response, the Insurer, informed that Based on the complaint as was received on 18.09.2017 from CVO of UIIC, they deputed a team to find out the facts on the allegations of irregularities in payment of 60 Claim files, processed and settled by the TPA during the years 2013-14,2014-15, 2015-16 and 2016-17. On analyzing the same, it is, inter alia, found, that there were (i) Mismatch of IFSC and NEFT details (ii) Wrong Payments (iii) Non-availability of IDs, Cancelled cheques (iv) Beneficiaries not in members list. For all the alleged irregularities a recovery of Rs 1,41,69,193 was raised against TPA and letter was sent on 01.04.2018 to deposit the money. Further, UIIC informed that the TPA could not submit original documents showing the request from the beneficiaries for crediting the amount to that particular account, to which the amounts were actually credited and the documents showing request for change of the bank accounts. On examining the irregularities, it is to state that the violations committed by the TPA are very serious in nature and are in violation of Regulation 16(1)(a) of IRDAI (TPA-Health Services) Regulations,2016 and Regulation 21(1) read with Regulation 14(7) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 5:

In response to the Charge, the TPA, inter alia, submitted that on receipt of additional information in respect of sixty claims, it was known that the alleged employees have caused the wrong payments to the tune of Rs 51.16 Lakhs. Therefore, the same is indemnified to the Insurer. The demand for Rs 1,41,69,193 made by the Insurer is baseless and incorrect.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 5:

On examining the charge and the submissions of the TPA it is observed that E-Meditek TPA vide letter dated 05.11.2018 had submitted that on receipt of additional information from UIIC, they could identify the said transactions in the records and further it was also identified that the 'alleged' employees had caused the wrong payments to the tune of Rs 51.16 lakhs. Therefore, the said amount was indemnified. This itself shows that the TPA did not put in place proper and effective internal controls and systems.

From the above submissions of E-Meditek TPA, it is noticed that there is a clear irregularity committed by the TPA and I am of the firm view that the TPA is now attempting to attribute it to the 'alleged' misdemeanor of its employees.

Therefore, I consider that the observations referred in the charge are in violation of Regulation 16(1)(a) of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 21(1) read with Regulation 14(7) of IRDA (TPA-Health Services) Regulations, 2001.

6. CHARGE-6

Number of unexplained credits amounting to Rs 18,34,19,544 were found in one of the bank accounts of the TPA during the period March, 2014 to February, 2016. It is further observed that during April, 2013 to March, 2017 there were 13 cash credits to the tune of Rs 1,04,28,000 and 32 Demand Drafts were deposited during April, 2014 to May, 2016 amounting to Rs 29,33,900 and there were 109 NEFT Returns to the tune of Rs 12,93,744 during December, 2013 to December, 2015. All these credit transactions are questionable considering the nature of TPA Business. From another bank account of the TPA it is observed that 13 Cash Credits (during April, 2016 to July, 2016) to the tune of Rs 57,11,000 and 23 transfers to the tune of Rs 5,80,171 from E-Meditek TPA with Claim numbers (during August, 2013 to April, 2014) were transferred to this account. It is further observed that in some of reimbursement claims, as per claim numbers mentioned in bank account statement, E-Meditek TPA had transferred claim amounts from one of its own bank account to this bank account. These are in violation of Regulation 14 (1) and Reg 21 (1) read with Reg 14 (7) of TPA Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 6:

In response to the charge the TPA, inter alia, informed that various credits to the bank account were on account of 'amounts received against approved claims'.

It is further submitted by E-Meditek TPA that keeping in mind that source of all the credits was from identifiable sources proper accounting has been done against each and every entry, it should not be considered as invalid transactions.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 6:

On an analytical review of the issue and on considering the nature of the TPA business, it is considered that the substantial number of cash credit entries into the various bank accounts of the TPA Company are questionable. There were 13 Cash Credits to the tune of Rs 57.11 Lakhs which is not acceptable, given the nature of the TPA's

business. In the overall business architecture of the TPA a substantial cash credit of this nature from any source is not acceptable. It is understood that the Insurers, if have to make any payment it shall be through banking channel. It is also observed from the bank transactions that number of these transactions are the segregated amounts, whereas the Insurers, if have to remit the funds to the TPAs for onward remittances to the beneficiaries, resort to consolidated transfers. However, the TPA when it comes to the issue of confirming the remittances to the beneficiaries has taken the umbrage under the consolidated mode of payment but when it comes to the issue of furnishing the explanation to the questionable credit transactions, it is only attempting to mascaeraed as those amounts are received towards settlement of claims. The TPA submitted, inter alia, the reason for cash credits as the deposits from available surplus. Considering an amount of Rs 1.04 Crores of cash credits referred in the charge, the scope for any cash credit from other accounts of the TPA shall not arise when the amounts could be transferred through banking channel. Further, the TPA shall only make the remittances to the beneficiaries from the specific amounts received towards the said purpose, but is not expected to transfer from one account to the other. Further, considering the nature of the TPA business, Cash Credits speaks the irregularities committed by the TPA. Hence, I consider that these submissions are not acceptable.

Thus, the above irregularities are in violation of Regulation 14 (1) and Reg 21 (1) read with Reg 14 (7) of TPA Regulations, 2001.

7. CHARGE-7

- A. On examining the details of the Bank Accounts furnished to the Inspection team and the details of the Bank accounts duly certified by the CA/ Statutory Auditor submitted to the Authority subsequently, the following discrepancies are noticed in respect of the number of Bank Accounts held by the TPA.

Financial Year	Total No of Accounts As submitted to Inspection Team	Bank Account details (Number of Active Accounts) furnished vide letter dt 20.08.2018	Difference
2012-13	78	134	56
2013-14	68	131	63
2014-15	59	126	67
2015-16	56	104	48
2016-17	29	87	58
2017-18	29	14	-15

- B. From the above, it is observed that the complete information is not furnished to the Inspection team.

Submitting incomplete information / data is in violation of Regulation 19(3) of IRDAI (TPA-Health Services) Regulations, 2016 and Clause 1 of Schedule-II read with Regulation 23 of the same regulations.

RESPONSE OF E-MEDITEK TPA ON CHARGE 7 (A) AND (B):

E-Meditek TPA has submitted that there was no deliberate attempt to provide any wrong information and that the details of operating account were misunderstood by the junior accounts team at that point of time as the Accounts Head did not join the position vacated after exit of the Finance and Accounts Head (one of the alleged employees).

OBSERVATIONS OF THE AUTHORITY ON CHARGE 7 (A) AND (B):

It is observed that the TPA during the course of onsite inspection furnished the total number of bank accounts as 319 and however, when the Authority sought the certified information from a Chartered Accountant regarding the total number of accounts maintained by the TPA the number of accounts were 596. Thus, there is a difference of 277 number of accounts which were not disclosed to the inspection team. By this it is established that the TPA has failed to provide full information relating to the bank accounts to the inspection team. The TPA is expected to have been prudent both in maintaining the record of its Bank Accounts as also furnishing these details to the inspection team of the Authority. Considering the number of accounts that were not disclosed to the inspection team which were around 277, the submissions of the TPA that it was not a deliberate attempt are not acceptable.

Therefore, I consider that submitting incomplete information / data is in violation of Regulation 19(3) of IRDAI (TPA-Health Services) Regulations, 2016 and Clause 1 of Schedule-II read with Regulation 23 of the same regulations.

8. CHARGE-8

- A. While examining the documents it is noticed that, the TPA has maintained two bank accounts which were part of the list of accounts maintained by the TPA but were not disclosed to the inspection team. It is further observed that there are a number of transfers to various Bank Accounts from E-Meditek TPA's Bank Accounts. A few instances of these transfers are mentioned hereunder.

SI No.	E-Meditek Bank Account from which transfer is effected	Bank Account to which transfer is made	Date of Transfer	Amount of Transfer
1	A	B	07 th Apr, 2014	3,00,000
2			15 th Apr, 2014	4,50,000
3			17 th May, 2014	2,50,000
4			06 th Jun, 2014	10,00,000
5			22 nd Oct, 2014	1,50,000
6			16 th Apr, 2015	5,50,000
7			22 nd Apr, 2015	25,000
8			12 th Apr, 2016	1,00,000

9			03 rd Apr, 2017	10,00,000
10			03 rd Apr, 2017	5,90,476
11		C	22 nd Oct, 2014	3,00,000
12			28 th Oct, 2014	5,00,000
13			10 th Apr, 2015	1,00,000
14			12 th Apr, 2016	1,00,000
15			05 th Apr, 2017	50,00,000
16			05 th Apr, 2017	75,00,000
17			05 th Apr, 2017	80,00,000
18			05 th Apr, 2017	48,00,000
19		D	03 rd Apr, 2017	33,00,000
20			03 rd Apr, 2017	29,00,000
21			03 rd Apr, 2017	5,00,000
22	E	F	11 th Aug, 2016	31,50,000

- B. From the ledger account of related party transactions of E-Meditek TPA it is observed that an amount of Rs 5,00,000 was also transferred from one of Bank Accounts of the TPA to its MD. It is also observed that all above accounts are not part of the information furnished to the Inspection team.

RESPONSE OF E-MEDITEK TPA ON CHARGE 8 (A) and (B):

In response to the above charge, E-Meditek TPA submitted that all the referred transactions in the SCN were either intra-company transfers from one account to other account or pertain to the business of the company only.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 8 (A) AND (B):

It is observed that the two Bank accounts which were not disclosed to the inspection team were having suspicious transactions. Further, the submissions of the TPA that the bank transactions are for intra-company transfers are not acceptable. The business of the TPA does not warrant such intra-company transactions amongst various bank accounts of the TPA with huge sums of money for settlement of claim. Where a float is maintained on behalf of any insurer, a prudent TPA shall maintain an exclusive float to each of the respective insurer, therefore, no scope for any intra-company transactions.

Therefore, not providing information / data / documents to inspection team and suspicious intra-company transactions are considered as in violation of Regulation 16(1)(a), clause 1 of Schedule-II read with Regulation 23 of IRDAI (TPA-Health Services) Regulations, 2016 and Regulation 14(1) and Regulation 21(1) read with Regulation 14(7) of IRDA (TPA-Health Services) Regulations, 2001.

9. CHARGE – 9

- A. It was observed from bank account statements of the TPA that various claim payments were made to policy holders, beneficiaries and or network providers as the case may be. On an examination of 12 sample claim details from Claims Dump of Group Policies for FY 2012-13, it was noted that the payment was done out of cash deposits as mentioned in the following table.

Sr. No.	Date of Cash Deposit	Amount of Cash Deposited (Rs. in Lakh)	Date of claim paid from Bank Acc	File no./Claim no.	Amount of Claim paid/Cashless settlement (Rs.)	Date & Time of payment made (as per claims Dump)
1	01-08-2013	16.00	02-08-2013	100031300181	42021	30-03-2013
2	01-08-2013	16.00	02-08-2013	100021301375	36993	28-03-2013
3	01-08-2013	16.00	02-08-2013	100031300241	22950	30-03-2013
4	01-08-2013	16.00	02-08-2013	100021302451	22879	30-03-2013
6	14-10-2013	4.00	15-10-2013	100031301295	198000	30-03-2013
7	14-10-2013	4.00	15-10-2013	100021303147	192375	30-03-2013
8	05-12-2013	2.10	11-12-2013	100021301697	118218	28-03-2013
9	05-12-2013	2.10	11-12-2013	100021302831	45000	28-03-2013
10	04-04-2014	9.00	07-04-2014	100021302240	185365	30-03-2013
11	05-04-2014	1.00	07-04-2014	100021303121	153670	30-03-2013
12	04-04-2014	9.00	21-04-2014	100031300604	133713	30-03-2013
	TOTAL				11,51,184	

B. It is further observed that E-Meditek TPA during FY 2013-14 & 2014-15 had deposited cash amounting to Rs. 119.27 Lakh in one of its accounts. There are number of instances of claim payments out of cash deposits from this account. Further, the Authority had called for the information on the "Source and purpose of the Transaction" in this account. In response, the TPA informed, inter alia, that various amounts were withdrawn from other accounts and deposited into this account / deposited from the available surplus. In respect of large number of cash withdrawals from the bank account, the TPA informed that the reasons were "Need based withdrawal for business purpose".

C. Observations pertaining to Debit entries in E-Meditek Axis Bank Account No. 056010200013402, for the financial year 2015-16 and 2016-17:

- i. Significant number of debit entries were observed in the bank statements, but the nature / type of these debit transactions are not clear. The brief details of the amounts transferred from and / or debited to one of the bank accounts of E-Meditek TPA are as under:

Sr. No.	Particulars	Financial Year	
		2015-16	2016-17
1	Number of Sample entries observed	53	86

2	Description mentioned for all the transfer and or debit entries	IFT/12 digit number / 1 or 2 or 3 example : IFT/013009156645/1	IFT/12 digit number / 1 or 2 or 3 example : IFT/013009156645/1
3	Range of transactions	From Rs. 50 thousand to Rs. 3 Crore.	From Rs. 60 thousand to Rs. 2.34 Crore
4	TOTAL amount transferred from / debited to bank account	Rs. 17.00 Crore	Rs. 12.14 Crore

- ii. The following sample transactions were examined with the debit entries against Audited financials of corresponding year.

Sr. No.	Financial Year	Date of Debit Transaction	Description	Amount (Rs.)
1	2016-17	06-06-2016	IFT/010606164359/1	235,00,000.00
2	2016-17	23-05-2016	IFT/012305165241/1	104,26,275.00
3	2015-16	30-09-2015	IFT/013009156645/1	300,00,000.00
4	2015-16	09-06-2015	IFT/010906153813/1	170,00,000.00

- iii. It was observed that, the details of these entries are not known and also corresponding entry in ledger accounts was not also submitted by the E-Meditek TPA and these entries are not appearing in corresponding Audited Financials of E-Meditek TPA submitted to the Authority. Further, as per description available in bank statement, it is not known that, as to whom the payment is made and the nature of payment made.

D. Observations and Findings on Cash Receipts and Payments through Bank Accounts of E-Meditek TPA:

- i. On a sample verification of the bank account statements of E-Meditek TPA, it was observed that, there are large cash transactions both withdrawals and deposits, through E-Meditek TPA bank accounts. The financial year wise gist of cash transactions is as under;

Rs. in Lakh				
Sr. No.	Financial Year	Amount Withdrawn (Debit)	Amount Deposited (Credit)	Total Cash Transactions through bank accounts
1	2013-14	8.00	109.27	117.27
2	2014-15	570.08	119.15	689.23
3	2015-16	126.25	21.50	147.75
4	2016-17	277.65	150.08	427.73
5	2017-18	96.37	29.45	125.82
	Grand Total	1078.35	429.45	1507.80

- ii. Thus, from seven bank account statements, in five (5) financial years E-Meditek TPA has cash transactions amounting to Rs. 15.08 Crore. Out of which cash withdrawals are amounting to Rs. 10.78 Crore and cash deposits are Rs. 4.30 Crore.
- iii. Details of financial year wise and bank account wise details of cash transactions are as under;

Sr. No.	Fin. Year	Bank Account	Amount Withdrawn (Debit) Rs.	Amount Deposited (Credit) Rs.
1	2014-15	1	211.65	101.60
2	2015-16	2	26.50	6.00
3	2016-17	3	62.05	66.24
4	2017-18	4	2.00	0.00
5	2016-17	5	0.50	0.00
6	2013-14	6	8.00	109.27
7	2014-15	7	154.35	10.00
8	2015-16	8	80.65	0.00
9	2016-17	9	42.00	0.00
10	2014-15	10	2.00	0.00
11	2016-17	11	9.75	57.11
12	2015-16	12	0.00	7.00
13	2016-17	13	3.00	0.00
14	2017-18	14	0.00	21.50
15	2014-15	15	0.00	4.50
16	2015-16	16	0.00	8.00
17	2016-17	17	17.60	17.50
18	2014-15	18	202.08	3.05
19	2015-16	19	19.10	0.50
20	2016-17	20	142.75	9.23
21	2017-18	21	94.37	7.95
			1078.35	429.45

E. **Cash Deposits:** It is observed that, E-Meditek TPA has deposited cash in their Company's Bank Accounts during Nov – Dec 2016 as mentioned hereunder. These are disclosed in the Annual Report for FY 2016-17. However, the source of such cash receipts is not clear as per the said annual report.

Sr. No.	Date of Deposit	Amount of Deposit (Rs. in Lakh)
1	28-12-2016	0.23
2	15-11-2016	10.00
3	16-11-2016	50.00
	TOTAL	60.23

- i. Range of Cash Transactions: There are a number of cash transactions through various bank accounts of E-Meditek TPA. The range for such cash transactions ranging between;
- a) **For withdrawal**: single minimum transaction was close to Rs. 2000 and single maximum transaction was Rs. 35 Lakhs.
- b) **For Deposits**: single minimum transaction was close to Rs. 5000 and single maximum transaction was Rs. 50 Lakhs.
- c) In this regard, the clarification was sought by Inspection team with respect to cash transactions from E-Meditek TPA. However, no explanation was offered to inspection team of the Authority on this issue of Cash Transactions in these accounts.

This is in violation of Regulation 19 (1), (19) (3), Clause 1 of Schedule II read with Reg. 23 of IRDAI (TPA – Health Services) Regulations, 2016 and Regulation 21(1), 22 (1), 22 (2) read with Regulation 14(7) of IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 9 (A) TO (E):

On these charges, the TPA Company, inter alia, has submitted, that there were various circumstances that these deviations took place due to certain business contingencies and that out of 17 Crores and 12.14 Crores, it is discovered that sum of Rs 15.79 Crores and Rs 8.96 Crores respectively are internal fund transfers from one account of the company to another account of the company. All these transactions are very well incorporated in the accounts of the company and have been transacted between legitimate entities or agencies. On the issue of Cash receipts and Payments through Bank Accounts, E-Meditek TPA has submitted that the net average per day impact of cash transaction is only Rs. 35,556/- which is very reasonable keeping in mind that at that point of time there were more than 1000 employees in the company and over 16 fully functional branches. All cash transactions have originated or destined to the legitimate person or entities. E-Meditek TPA has further submitted that, out of 17 Crores and 12.14 Crores, it is discovered that sum of Rs 15.79 Crores and Rs 8.96 Crores respectively are internal fund transfers from one account of the company to another account of the company. Rest of the payments have been made to other parties in relations with the business of the company, incidentally their bank accounts are in the same banks.

Further, E-Meditek TPA has also submitted that the nature of transactions and source of amounts received, the sums were either Income Tax refunds or other revenue receipts and transfer internally from one account to other. Separate accounts were

maintained for collections and general expenditure in different banks due to various business contingencies and controls and that nothing abnormal in these transactions.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 9 (A) TO (E):

In response to the clarifications sought the TPA attributed the credits to the 'amounts received against approved claims'. In the business of a TPA, the possibility of receiving cash either from any insurance company or from any other source, for onward remittances to the beneficiaries is not at all there. Therefore, all the credit entries especially entries by way of cash are highly suspicious, hence submissions are not acceptable. The TPA's further submissions that the sums received were towards Income tax returns or internal transfers are examined. It is found that the range of cash transactions and amounts withdrawn from various bank accounts referred in the charge has no relevance to these submissions of the TPA. Further, in the business of TPA, where a TPA shall only facilitate onward remittances to the beneficiaries, the need for inter-bank transfers does not arise at all. It is observed from Charge 9 (A) above that in a number of cases the TPA had deposited Cash in their bank account and subsequently paid the claims under health insurance policies out of the cash deposits. It is observed that an amount of Rs 64 lacs were deposited on 01st Aug, 2013 in four tranches, Rs 8 lacs were deposited on 14th Oct, 2013 in two tranches, Rs 4.20 lacs were deposited on 05th Dec, 2013 in two tranches and Rs 19.00 lacs on 04th, 05th Apr, 2014 in three tranches by way of cash. With reference to Charge 9 (B) it is observed that the TPA has deposited Rs 109.27 lacs by way of cash during 2013-14. In respect of Charge 9 (C) it is observed that there were debit transactions of Rs 17.00 Crores in FY 2015-16 and Rs 12.14 Crores in FY 2016-17, the details of which are not known. The submissions of the TPA that these are the internal fund transfers from one account of the TPA to the other account are not acceptable, as the TPA during the course of its business shall only transact with the remittances received from the Insurer and for the purposes of the claim settlements shall operate through the float accounts, if any. Thus, taking into consideration the debit and cash transactions referred at Charge 9 (A) to Charge 9 (E) the volume and range of cash transactions does not justify the submissions made by the TPA. Hence, on examining the Inspection Observations and the submissions made by TPA, taking into consideration the nature of the TPA business for which the TPA was issued the Certificate of Registration, the debit transactions, cash transactions referred in the charge are suspicious and not acceptable. It is concluded that E- Meditek TPA company did not conduct the business in a professional manner. Further, the payment of claims under health insurance policies out of cash deposits, cash credits, cash withdrawals is not a professional way of dealing with TPA Health Services Business.

Therefore, the Insurer has violated the provisions of Regulation 19 (1), (19) (3), Clause 1 of Schedule II read with Reg. 23 of IRDAI (TPA – Health Services) Regulations, 2016 and Regulation 21(1), 22 (1), 22 (2) read with Regulation 14(7) of IRDA (TPA-Health Services) Regulations, 2001.



10. CHARGE-10

From the above referred charges in respect of (i) Non-payment of claims though liability is accepted and replenishments received and (ii) Due to transfer of claim amounts from one bank account to another bank account of E-Meditek TPA without settlement of Claim amount, it is evident that, the claim returns submitted by E-Meditek TPA to the Authority in accordance to the Regulations, for the above referred periods, does not represent true and fair view of affairs of E-Meditek TPA.

This is in violation of Reg. 24 of IRDA (TPA – Health Services) Regulations, 2001 and Reg. 19 (10) of IRDAI (TPA – Health Services) Regulations, 2016.

RESPONSE OF E-MEDITEK TPA ON CHARGE 10:

The TPA submitted that it is regularly submitting all periodical returns as defined under Regulation 24 (1) of IRDAI (TPA-Health Services), Regulations 2001 and Regulations 19 (8) of IRDAI Regulations (TPA – Health Services), 2016 as an independent process. These returns are submitted by the compliances officer who is independent of the operations team in claims and accounts department, these reports are system generated or routine reports hence there is no question of willful submission of any wrong returns unless caused by the ill action of the alleged employees. Further, there is no such complaints from any of the insurer, hospital or the insured that is contrary to the data stated therein the returns.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 10:

Irregularities mentioned in the charge, such as; (i) Non-payment of claims though liability is accepted, though replenishments received(ii) Transfer of claim amounts from one bank account to another bank account of E-Meditek TPA without settlement of Claim amount as referred in the charges of this order; will ultimately result in submission of wrong periodical returns to the IRDAI. The TPA qualified its submissions stating that the returns are not wrong unless caused by willful wrong by the 'alleged' employees. These submissions are not acceptable, as a prudent TPA shall ensure that accurate and complete information is furnished to the Authority. The above charges indicated complete and deliberate irregularities committed by the TPA.

Therefore, I consider that the observations referred in the charge are in violation of Reg. 24 of IRDA (TPA – Health Services) Regulations, 2001 and Reg. 19 (10) of IRDAI (TPA – Health Services) Regulations, 2016.

11. CHARGE -11

It was alleged in the whistle blower complaint that in respect of 13,882 claim cases an amount of Rs 5.89 Crores was deducted on account of TDS from various payments stated to have been made without actually remitting the TDS. On examining the issue of non-remittances of TDS amounts deducted from various Network Providers for FY 2015-16 and for the Assessment year 2016-17, on a review of ten sample cases, it is found that E-Meditek TPA has deducted TDS of Rs 2,89,575 from payments stated to have been made from various network providers / hospitals. On examining the matter,

the TPA was advised to furnish the details of the TDS remitted to the Tax Authorities in the specific format for the sample 111 cases. In response, the E-Meditek TPA has submitted two lists one with 53 items furnishing the details of the remittance of TDS and the second one with 58 items clearly indicating "TDS Not deposited as per list". Further, in the foot note the TPA also submitted that

"A sum of Rs 1,56,07,017 for the relevant period has been identified short paid, the said amount has been siphoned by the alleged employees, the same has been provisioned in the balance sheet for the year 2017-18. The said matter falls under the scope of an independent authority and is being directly dealt with the said authority as the authorities had demanded a higher amount".

The E-Meditek TPA in their first submission stated that even after verification (Sample basis) they have not found any mis-match, only on further insistence by the Authority for submission of granular item wise information in respect of 111 cases, the TPA Company admitted non remittance of TDS in respect of 58 cases out of 111. This is a clear indicator of serious break-down of systems and procedures, absence of fraud monitoring mechanism, and lack of professional approach for putting in place necessary operational systems in the organization.

These are in violation of Clause 1 of Schedule-II read along with Regulation 23 of IRDAI (TPA-Health Services) Regulations, 2016 and attracts the provisions of Regulation 16 (1) of TPA Regulations, 2016 and also Regulation 14 (7) read with Regulation 21(1) IRDA (TPA-Health Services) Regulations, 2001.

RESPONSE OF E-MEDITEK TPA ON CHARGE 11:

Initially, E-Meditek TPA, inter alia, informed that it is tax compliant from the beginning and however, that the claims system and the accounting system was not integrated with each other, therefore there may be mismatch in two systems. It is also submitted that, the TDS circle team carried out a survey on 22nd February, 2018

It is further submitted that this is an intentional act of the alleged employees which is not limited to siphoning of the money from the company but also to use some of their misdoings to malign the image of the company and retaliate by way of filing various complaints as whistleblower if the company management take any legal action against their various infringements not limited to infringements of copyright. E-Meditek TPA has informed that, as a corrective measures necessary provisioning to the effect has been made in the books of accounts and financials for the year 2017-18. The issue has also been recorded with the taxation authority as the matter falls in their jurisdiction only and IRDAI would be informed the outcome.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 11:

From the findings referred in the charge and the submissions made by E-Meditek TPA, it is observed that Non-remittance of TDS in respect of 58 cases out of sample of 111 cases as accepted by E-Meditek TPA is a serious lapse and grave violation.

The E-Meditek TPA in their initial response forwarded vide letter dated 23rd April, 2018, submitted that even after their verification (on a sample basis) they have not found any mis-match, only on further insistence by the IRDAI for submission of granular item wise information in respect of 111 cases, the TPA Company admitted non remittance of TDS in respect of 58 cases out of 111. This clearly indicates absence of fraud monitoring mechanism, and lack of professional approach for putting in place necessary operational systems in the organization.

The submissions of the TPA that it is a taxation issue and will fall under the jurisdiction of respective tax authority only, is considered and it is clarified that as a regulated entity of the IRDAI the TPA shall comply with the applicable statutory provisions/requirements of Law of the Land. Non remittance of the TDS also corroborates the charges on fabricated payments made to various hospitals, thus, non-remittance of the TDS.

These are in violation of Clause 1 of Schedule-II read along with Regulation 23 of IRDAI (TPA-Health Services) Regulations, 2016 and attracts the provisions of Regulation 16 (1) of TPA Regulations, 2016 and also Regulation 14 (7) read with Regulation 21(1) IRDA (TPA-Health Services) Regulations, 2001.

12. CHARGE-12

- A. On examination of bank statement of one of bank accounts for the financial year 2015-16 and 2016-17, it is observed that, there are number of receipts into bank account of E-Meditek TPA from various entities without having any reasons. Further, these entries are also not appearing in audited financials of E-Meditek TPA for corresponding financial years.
- B. It is also observed that E-Meditek TPA, in financial year 2016-17, was in receipt of Rs. 2.90 lakh and Rs. 5.65 lakh from two of the entities. However, E-Meditek TPA has not submitted satisfactory clarification, supporting documents in the matter of these receipts during the course of onsite inspection. Furthermore, these receipts are also not appearing in corresponding audited financials of E-Meditek TPA.
- C. Irregularities are observed in respect of accounting of asset purchases by the TPA. In this regard, it is observed from the ledger accounts, that E-Meditek TPA paid Rs. 51.01 Lakh to one of the entities and at the same time the said amount of Rs. 51.01 Lakh was received by E-Meditek TPA into its another bank account.
- D. From the ledger accounts, it is further noticed that E-Meditek has paid Rs. 130.35 Lakh to one of the entities. However, immediately on the date of payment, the entries were reversed. It is observed that, payment of Rs. 130.35 Lakh is appearing in corresponding bank statements of E-Meditek TPA. But, refund and / or return of these amounts are not reflecting in corresponding bank account statement as on the date of reversal. This payment without proper accounting entries do not reflect true and fair view of accounting affairs of E-Meditek TPA.
- E. It is observed that, E-Meditek TPA is in practice of routinely passing numerous reversal entries in its books of accounts. While examining the reversal entries of the TPA, it is observed that a sum of Rs. 59.28 Lakh were paid towards the purchase of furniture and / or computers. However, said entries were reversed without recovery

of paid amount to respective entities. There is no corresponding entry in respect of purchase of Furniture and / or computer. In spite of which, E-Meditek TPA shown negative balance of Rs. 59.28 Lakh against corresponding entities. There are no valid reasons, as to why E-Meditek TPA has paid Rs. 59.28 Lakh, to respective entities without purchase of any assets and or equipments or booking any expenses related to TPA Business.

- F. It is also observed that payments of Rs. 36.13 Lakh, are made to various parties without any corresponding entry to other accounts i.e. reason for payment is not mentioned in these Ledgers. Furthermore, this amount of Rs. 36.13 lakh are shown as negative balance against respective parties, in the list of Sundry Creditors for FY 2016-17.

These are in violation of Regulation 16 (3) of IRDAI (TPAs – Health Services) Regulations, 2016, Clause (1), Clause (2) (ii) and Clause 2 (jj), Clause (2) (t) of Schedule – 2 read with Regulation 23 of IRDAI (TPAs – Health Services) Regulations, 2016. These referred findings are also detrimental to the interest of the insured, policyholder or insurer and attracts the provisions of Reg. 16 (3) of IRDAI (TPA – Health Services) Regulations, 2016. Further, the said findings are in violation of Regulation 19 (2) of IRDAI (TPA-Health Services) Regulations, 2016.

RESPONSE OF E-MEDITEK TPA ON CHARGE 12 (A) TO (F):

In response to the charge, E-Meditek TPA, inter alia, has submitted that there were no lapses in the systems and findings are not correct. Certain entries were passed to rectify the capitalization of expenses done wrongly. It reconfirmed that the amounts received have been directly accounted for in the books of accounts as income and that certain income was received from various parties on account of leasing the infrastructure. With reference to an amount of Rs 130.35 lakhs the TPA submitted that it was siphoned off fraudulently from the bank account of the company by the alleged employees by abusing the authority.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 12 (A) TO (F):

On examining the charge 12 (A) to (C), I consider that the submissions of the TPA that some of the entries were rectification entries and that certain amounts are other receipts are not acceptable, as no satisfactory clarification, supporting documents were furnished and that the receipts are also not appearing in the corresponding audited financials. The submissions of the TPA that accounting of income directly into the books, without reflecting the same in the ledger account is not an acceptable accounting practice. The submissions of the TPA that it has received income from some of the entities towards leasing the infrastructure is also not acceptable, as, on verification of the Revenue Account of the E-Meditek TPA submitted to the IRDAI for the Financial year 2016-17 the Total amount of income from other sources is only 1,15,67,079/-. This is not inclusive of the other income towards leasing the infrastructure stated by the TPA.

With regard to the irregularity referred in Charge 12 (D) in respect of 130.35 Lakhs, the submission indicates the absence of appropriate accounting procedures and

effective internal controls in the TPA company making highly vulnerable to the fraudulent activities thus, jeopardizing the interests of the Insurers and the policyholders.

With reference to the observation referred in Charge 12 (E) relating to reversal entries it is noticed that the E-Meditek TPA is in practice of passing reversal entries in the books of accounts. However, on considering the submissions of the TPA that these entries are due to ERP system that does not permit the modification, no charges are pressed on this.

With reference to payment of Rs 36.13 lakhs to various parties referred in Charge 12(F) the submissions made by TPA are not acceptable as the payments are made to the respective parties without any corresponding entry and reasons for the payments are not recorded in these ledgers. It is also observed that these amounts of Rs 36.13 lakhs are shown as negative balance in the list of sundry creditors. Thus, I consider that, making payments without any corresponding entry and showing negative balances is not an acceptable accounting practice.

Therefore, these are in violation of Regulation 16 (3) of IRDAI (TPAs – Health Services) Regulations, 2016, Clause (1), Clause (2) (ii) and Clause 2 (jj), Clause (2) (t) of Schedule – 2 read with Regulation 23 of IRDAI (TPAs – Health Services) Regulations, 2016. These referred findings are also detrimental to the interest of the insured, policyholder or insurer and attracts the provisions of Reg. 16 (3) of IRDAI (TPA – Health Services) Regulations, 2016. Further, the said findings are in violation of 19 (2) of IRDAI (TPA-Health Services) Regulations, 2016.

13- **CHARGE – 13**

- A. Financial Year wise amounts paid to and received from MD of E-Meditek TPA as per related party disclosure made in Audited Financials of E-Meditek TPA are as under.
(Amount in Lakhs)

Sr. No.	Fin. Year	Amt paid to MD, E-Meditek TPA			Total amount Paid	Amount paid to MD	Amount Received from MD
		Guarantee Commission	Rent Paid	Directors Remuneration			
1	2013-14	0.00	2.40	54.80	57.20	18.97	4.00
2	2014-15	0.00	2.40	57.70	60.10	298.66	173.00
3	2015-16	0.00	2.40	57.80	60.20	387.28	375.28
4	2016-17	7.83	2.40	96.00	106.23	764.29	758.30

- B. Upon examination of sample of payments made to MD and amount received from MD in ledger account no. BZ00166, it is observed that, there are huge transactions between MD & E-Meditek TPA, which are other than above mentioned related party transactions.

C. As per ledger account and bank statements it is observed that, in some of the cases E-Meditek TPA is paying / transferring the amounts to the personal bank account of MD and also receiving amounts from this bank account through cheques and / or online transfers. The details observed from one of bank accounts of E-Meditek TPA Account are as under;

Date	Amount debited in the TPA bank account and transferred to Personal account of MD	Amount credited to the personal bank account of MD
10.08.2015	300,000	
10.08.2015		300,000
08.12.2015	30,00,000	
22.12.2015	18,00,000	
14.10.2016		50,00,000
22.08.2016	10,00,000	
06.02.2016	10,00,000	
09.02.2016	20,00,000	
03.10.2017	5,44,783	

D. It is observed that the following amounts are transferred from / to the personal account of MD of the TPA from another Bank Account of E-Meditek TPA.

Date	Amount debited in bank account and transferred to Bank Account of MD	Amount credited to the TPA bank account – Transferred from Bank Account of MD
13.11.2014	7,00,000	
26.08.2015	5,00,000	
18.09.2015	20,00,000	
30.09.2015	13,00,000	
02.07.2016		15,00,000
02.07.2016	15,00,000	
02.07.2016		33,00,000
02.07.2016	50,00,000	
02.07.2016		55,00,000
02.07.2016	50,00,000	
02.07.2016		52,00,000
02.07.2016	60,25,000	
02.07.2016		49,27,927
02.07.2016	60,00,000	
02.07.2016		65,00,000
04.07.2016	30,00,000	
23.01.2017	62,00,000	

E. From the above inspection observation, it is further observed that the following are the transactions in another Bank Account of E-Meditek TPA from / to personal account of MD;

Date	Description	Amount Debited in Bank Account	Amount Credited in Bank Account
1.5.2015	Recd from MD		50,00,000
2.5.2015	Recd from MD		50,00,000
5.5.2015	Paid to MD	300,000	
7.5.2015	Amount recd through RTGS		50,00,000
26.10.2015	Paid to MD	14,00,000	
4.11.2015	Paid to MD	11,00,000	
3.12.2015	Paid to MD	90,00,000	
19.1.2016	Paid to MD	28,00,000	
12.8.2016	Paid to MD	22,00,000	
16.2.2017	Paid to MD	16,00,000	

F. It is further observed that the payments made by MD are deposited in the concerned bank, however, those are immediately transferred to some other bank account(s) as noticed in the sample transactions specified here under;

Sr. No.	Date on which amount paid by MD	Amount received from MD (Rs. In Lakh)	Date of transfer	Amount of Transfer (Rs. in Lakh)
1	31-03-2017	390.02	05-04-2017 & 07-04-2017	273.50
2	07-02-2017	11.00	07-02-2017	11.00
3	21-09-2017	10.00	21-09-2017	10.00
4	05-01-2017	8.00	05-01-2017	8.00
5	07-01-2017	15.00	07-01-2017	15.00
	TOTAL	434.02	TOTAL	317.50

G. It is further observed that the following accounting practice is followed by E-Meditek TPA in the matter of payments to and receipts from MD:

- i) E-Meditek TPA is in practice of paying various amounts to MD in a particular financial year. Then the MD on 31st March of every financial year returns huge amounts through cheques to E-Meditek TPA, and E-Meditek TPA books those entries in their accounts as receipts from MD. Thus, E-Meditek TPA shows in their books that, payment made to MD were received back for that particular financial year.
- ii) However, immediately in the next financial year E-Meditek TPA reverses those receipt entries. Otherwise they do not deposit the cheque given by MD in to the bank and booking reversal entries for such receipts citing reasons as "STALE CHEQUE".

On examining the submissions, the above findings attracts the provisions of Regulation 16 (1) (a) and clause 1 of schedule-II read with Regulation 23 of IRDAI (TPA-Health Services)

RESPONSE OF E-MEDITEK TPA ON CHARGE 13 (A) TO (G)

E-Meditek TPA, inter alia, has submitted that MD *has given Equitable Mortgage and personal guarantee for credit limits of the company. This amount was extended to the MD for purchase of the above immovable properties by the company.*

It is further submitted that at times there is significant delay in receiving service charges from the insurers.

Since E-Meditek is family promoted company the promoters infused temporary funds as “queasy capital” in case of business contingencies and the same is withdrawn when the proceeds are received All these transactions and payouts are legitimate and well recorded in the books of accounts. Further, a cautious note has been taken of the observations for corrections wherever highlighted. On the observation relating to stale cheque, the TPA, submitted that a fresh cheque was issued subsequently in one of the instances.

OBSERVATIONS OF THE AUTHORITY ON CHARGE 13 (A) TO (G)

The submissions of the TPA that due to the significant delay in receiving service charges from insurers ‘queasy capital’ was infused by the promoters is not acceptable. While it is not clear what ‘Queasy Capital’ means according to the TPA, it is observed that the payments made to MD’s account are more than the receipts from the MD’s Account. Despite the liquidity problem which arose out of delay in settlement of service charges by insurers as claimed by TPA, it is surprising how the excess amounts were transferred to MD’s Account. It is observed that the TPA is paying / transferring the amounts to the personal bank account of the MD and the receipts were staged by way of cheques and the cheques were let off stale without actually receiving back into the bank account of the TPA. The submissions of the TPA on issuance of a fresh cheque is also examined. However, it is noticed that it is only a one of instance. Thus, it is observed that the TPA is booking receipt entry from the MD without the actual receipt into the bank account of the TPA. Amounts received from the MD were also immediately transferred to another bank account, details of which are not available. From these transactions it is evident that TPA’s accounts were used by the MD. It is thus, evident that the funds of the TPA were misappropriated and the accounts of the company were used as a conduit to carry out huge amount of personal transactions of the MD and diverting / siphoning of funds. Thus, for these reasons I also consider that the audited financial of the TPA failed to represent true and correct picture.

Therefore, the TPA violated the provisions of Regulation 16 (1) (a) and clause 1 of schedule-II read with Regulation 23 of IRDAI (TPA-Health Services) Regulations,2016 and Regulation 14(1) and Regulation 21(1) of IRDA (TPA-Health Services) Regulations, 2001

DECISION AND REGULATORY ACTION OF THE AUTHORITY:

A TPA registered by the Authority shall function within the statutory and regulatory framework specified. Where claims were settled through float account, it is expected the TPA shall scrupulously maintain the float account by utilizing the remittances received from the Insurers for onward claim payments to the specific claimants / beneficiaries for which funds are received. The funds received from the Insurers for the settlement of claims shall not be used for any purpose other than the purpose for which the monies are received. However, in terms of IRDA (Health Insurance) Regulations, 2013 an insurer shall make direct payments to the network provider and to the policyholders. A TPA during the course of the business, except for any petty official transactions, has no business to engage in cash transactions.

The irregularities referred in the order, (*other than the Charges (4) (A), (D), (E) and 12 (E), in respect of which charges are not pressed*), are found to be in violation of various regulatory provisions referred thereunder respectively. The violations observed in the Charges referred herein are of such a serious nature that allowing the E-Meditek TPA to continue to function as the TPA is detrimental to the interests of policyholders and the insurers.

Therefore, the Authority after careful consideration of the seriousness of violations observed and in exercise of the powers vested with the Authority in Regulation 16 (1) of IRDAI (TPA-Health Services) Regulations, 2016, hereby cancels the certificate of registration No. 007 granted to E-Meditek insurance TPA Ltd.

The Certificate of Registration of E-Meditek insurance TPA Ltd stands cancelled with immediate effect and E-Meditek TPA shall cease to do the business of TPA. However, it may continue servicing the existing health insurance policies based on the discretion and direction of the respective insurers for a period not exceeding three months from the date of this order. No insurer shall entrust servicing of new policies or servicing of new lives under the existing group schemes / policies to E-Meditek TPA.

The following directions are to be complied with, in view of cancellation of Certificate of Registration No 007 of E-Meditek Insurance TPA Limited.

- a. All insurers who are having agreement with E-Meditek TPA to carry out the services referred in Regulation (3) (1) (a) and Regulation (3) (1) (b) of IRDAI (TPA-Health Services) Regulations, 2016, 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 E-Meditek TPA.
- b. E-Meditek 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.
- c. E-Meditek TPA shall, reconcile and close the accounts with concerned insurance companies and network providers, if any.



- d. E-Meditek TPA shall submit the data collected and the books, records or documents etc., relating to the TPA business carried on by it to respective insurers.
- e. E-Meditek TPA and all the Insurers shall comply with the applicable provisions of Regulation 18 of IRDAI (TPA – Health Services) Regulations, 2016.
- f. E-Meditek TPA is advised to remove the word TPA from name of its Company and that they shall not do TPA business.

All the insurance companies that have engaged the services of E-Meditek TPA shall submit an action taken report to General Manager (Health), IRDAI, Hyderabad in respect of the above directions within three months from the date of this order.

Considering the nature and dimension of fraudulent activities committed by the TPA, the Authority reserves the right to take any other action as deemed fit.

Hyderabad,
Date: 10th January, 2019



MEMBER (NL)