



IRDAI/HLT/MISC/ORD/131/06/2020

**Order in the matter of M/s IFFCO Tokio General Insurance Company Limited**

Based on the;

- a) Show Cause Notice (hereinafter referred to as "SCN") dated 13<sup>th</sup> January, 2020 issued to IFFCO Tokio General Insurance Company Limited (hereinafter referred to as "the Insurer" or "Company") for delayed and wrong submission of data through health insurance regulatory returns for FY 2018-19.
- b) Response to the above SCN received from the insurer vide letter dated 31<sup>st</sup> January, 2020.
- c) Submissions of the insurer during personal hearing held on 20<sup>th</sup> March, 2020, taken by the Chairman of the Authority through video conferencing.

**Background**

- 1) The insurer submitted the H2 (second half year of FY 2018-19) up to the period returns with a delay of 62 days and Health Annual Returns for FY 2018-19 with a delay of 36 days.
- 2) The insurer had submitted wrong information of Incurred Claims Ratio (ICR) under different lines of health insurance business for FY2018-19 as detailed below:
  - a. On 28<sup>th</sup> May 2019, the insurer through its Q4 (Quarter 4 of 2018-19) up to the period return submitted that the ICR under its Govt Health Business was 83%, Group Business was 100%, Individual Business was 94% and under its total Health Business was 98%. On 3<sup>rd</sup> September, 2019 clarifications were sought by the Authority on the correctness of the data submitted by the insurer.
  - b. On 17<sup>th</sup> September, 2019, the insurer revised the return with ICR under its Govt Health Business to 908%, Group Health Business to 14%, Individual Health Business to 93% and under its total Health Business to 102%. Chief Compliance Officer of the insurer certified that the data submitted was correct and as per its audited financials.
  - c. On being asked on 26<sup>th</sup> September 2019, the insurer on 28<sup>th</sup> September 2019, confirmed that the data submitted through revised returns on 17<sup>th</sup> September 2019 was correct.
  - d. Bringing significant differences to the notice of the insurer, again the Authority sought clarifications on 18<sup>th</sup> December, 2019.
  - e. On 18<sup>th</sup> December, 2019 the insurer admitted that erroneous ICR was reported under different lines of health business. The insurer furnished that the revised ICR under its Govt. Health Business as 86%, Group

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Health Business as 106%, Individual Health Business as 93% and under its total Health Business as 102%.

- f. The insurer also revised the ICR under overseas travel business from 58% as submitted on 28<sup>th</sup> May 2019 and 17<sup>th</sup> September 2019 to 53% through email dated 18<sup>th</sup> December 2019.
- 3) On examining the issue of submission of wrong data it is considered that the insurer did not put in place effective procedures for furnishing correct and timely data.
- 4) A Show Cause Notice (SCN) dated 13<sup>th</sup> January 2020, was issued to the insurer for violation of norms specified in Chapter V of Guidelines on Standardization in Health Insurance (Ref: IRDA/HLT/REG/CIR/146/07/2016) dated 29<sup>th</sup> July, 2016.
- 5) Insurer replied to the SCN on 31<sup>st</sup> January, 2020 and requested for a personal hearing.
- 6) The personal hearing was held on 20<sup>th</sup> March 2020 through video conferencing. The insurer was represented by Mr. Warendra Sinha, the then MD & CEO, Mrs. Anamika Roy Rashtrawar Director (Marketing), Mr. Sanjeev Chopra, ED & CFO, Mrs. Seema Gaur, ED (IT), Mr. Amit Jain, Company Secretary & CCO and Ms. Anshu Gaur, DGM (MIS). On behalf of the Authority, Shri Suresh Mathur, Executive Director (Health), Shri DVS Ramesh, General Manager (Health), Shri Srikanth Gali, Asst. Manager (Health) were also present in the personal hearing.
- 7) The findings on submissions made by the insurer on the issues raised in the SCN and the decisions thereon are as under:

**Charge:**

- 8) The insurer had submitted the Half Year-2 up to the period returns by a delay of 62 days and annual returns by a delay of 36 days for FY2018-19.

**Gist of insurer's submissions:**

- 9) The delay was caused due to change in the company's software. During the transition from old to new system, the claims data in new system was not readily available for preparation of health returns and manual processing of data was required, which took a long time and hence submission of returns was delayed. However, now the new system has stabilized and health returns would be submitted on time. The company regretted the delay and ensured timely submission hereafter. Hence, requested to drop the charge.

**Charge:**

- 10) The insurer submitted wrong information on ICR under different lines of health insurance business and overseas travel business on 28<sup>th</sup> May, 2019, 17<sup>th</sup> September, 2019 and 28<sup>th</sup> September, 2019.



### **Gist of insurer's submissions:**

- 11) While submitting the revised health returns on 17<sup>th</sup> September 2019, certain business figures were interchanged between Govt. Health Business and Group Health Business and there was an error in apportionment of IBNR.
- 12) Due to above errors, the ICR of Govt Business and Group Business were erroneously reported as 908% and 14% instead of 86% and 106% respectively. However, ICR of total health business remained the same at 102%
- 13) The insurer sincerely regretted the error and ensured to take all necessary steps for furnishing correct data in future and requested to drop the charges.

### **Decision of the Authority:**


- 14) The insurer has submitted that the delay in submission of the returns is attributable to transition of their internal systems. It is essential for the insurer to put in place an effective procedure so that the correct and timely submission of returns is ensured.
- 15) With reference to providing wrong information, the submissions of the insurer that there was an interchange of data between Govt. Health Business and Group Health Business is not acceptable. The insurer is expected to keep in place effective systems and procedures to validate the data so as to avoid any kind of errors. The stipulation of Chief Compliance Officer certifying correctness of data is meant to ensure proper prior scrutiny. This does not appear to have been done. In spite of the Authority pointing out the apparent inconsistency, the insurer failed to identify the infirmity, but again forwarded wrong information without carrying out reasonable validation checks. Given the difference between the actual ICR of Group Health Business at 106% and reported figure of 14% and the actual ICR of Govt. Health Business at 86% and reported figure of 908%, it is clear that a basic examination of the figures would have alerted any vigilant officer on possible error. The concerned officers of the insurer failed to rectify the error. The submission of wrong data by the insurer and confirming the same as correct resulted in publication of wrong industry level aggregate data by the Authority. This is a very serious lapse on the part of the insurer.
- 16) From the submissions I find that, apart from not putting in place effective procedures for furnishing correct data, there was no review carried out before furnishing the data.
- 17) Therefore, the insurer is hereby warned for furnishing wrong information under different lines of health insurance business and for delayed submission of health returns for FY2018-19. The insurer is hereby directed to put in place necessary systems for furnishing correct data and to ensure compliance with the extant applicable regulatory provisions hereafter.



18) Further,

- 1) This Order shall be placed before the Board of the insurer in the upcoming Board meeting and the insurer shall provide a copy of extracts of the minutes of the meeting on the issue within 7 days of the meeting.
- 2) If the insurer feels aggrieved by the decision of this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad  
Date: 04<sup>th</sup> June, 2020

  
4/6/2020  
(Dr. Subhash C. Khuntia)  
Chairman