



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

IRDA/INT/MISC/ORD/2 27/12/2019

ORDER of Insurance Regulatory and Development Authority of India under Section 102 of the Insurance Act, 1938 read with Section 14 of the IRDA Act, 1999 and Guidelines on Motor Insurance Service Provider dt 31.8.2017 and subsequent circulars issued thereunder in the matter of M/s Maruti Insurance Broking Pvt Ltd.

A. Background

1. The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") issued Motor Insurance Service Provider guidelines (hereinafter referred to as MISP Guidelines) ref no. IRDA/ INT/ GDL/ MISP/ 202/ 08/ 2017 dated 31st August, 2017 after extensive consultations with the industry stakeholders. The objective of these guidelines was to recognise the role of automotive dealer in distributing and servicing motor insurance policies to have regulatory oversight over their activities connected to insurance. These guidelines were to come into force on 1st November, 2017. In the meantime, the Authority received requests for clarifications, extension of time, etc. The Authority vide its circular dated 1st November, 2017 clarified on various issues raised including one on creating a panel of insurance companies for selling motor insurance policies. The Authority vide another circular dated 1st November, 2017 informed the insurers and insurance intermediaries the launch of the MISP portal housed in IIB. The Authority in its communication of 17th October, 2017 advised all insurer and insurance intermediaries to follow the guidelines both in letter and spirit with regard to payment and receipt of fees, charges, by whatever name called.
2. Further clarification was issued by the Authority vide its circular dated 11th January, 2018 on creation of panel of insurers by insurance intermediary or MISP. The Authority categorically clarified that neither the insurance broker nor the MISP can create such a panel of insurers for selling motor insurance policies. It was also categorically stated in the same circular that no MISP or the insurance intermediary can enter into an agreement with an Original Equipment Manufacturer (OEM) which has an influence or bearing on the sale of motor insurance policies.
3. In the meantime, the Authority received complaints from policyholders against some of the MISP sponsored by insurers and insurance intermediaries that they are doing the following:
 - a) forcing motor customers to buy motor insurance policies of the insurers who are on their panel.
 - b) having uniform premium rates of different insurers for same motor vehicle.

Page 1 of 13

W

AB

- c) discriminating between insurance policyholder who has bought motor insurance from that motor dealer as against those who has not bought from them.
4. Some General Insurance Agents Association also complained to the Authority of the apparent conflict of interest in the role of MISP in selling insurance policies and servicing & repairing motor vehicles on the insurance policies sold by it. They also highlighted the high claims ratio under the MISP channel, extra payments made to MISP by insurers, disparity of treatment to agents, etc.
5. The Authority also received complaints from insurers that insurance intermediaries have created a panel of insurers which is in violation of Guidelines on Motor Insurance Service Providers.

B. Off-site inspection of Maruti Insurance Broking Pvt Ltd (MIBL) by the Authority to check compliance of MISP Guidelines

6. Since one year has elapsed from the issuance of the MISP Guidelines, it was decided to call for information from select insurance intermediaries who are mainly involved in selling and servicing motor insurance policies through the motor dealers. Accordingly, the Authority vide letter ref no. IRDAI/ MISP/ UT-Brokers/ Aug 2018 dated 31st August, 2018 advised Maruti Insurance Broking Pvt Ltd (MIBL) to furnish the following information:
 - a. Premium rates insurer-wise for different categories of vehicle insurance sold through MISP.
 - b. Name of insurers empanelled by the insurance intermediary as on 31.7.2017 and 31.8.2018.
 - c. Affidavit duly notarised by the Principal Officer (PO) confirming compliance of the following:
 1. Full compliance of MISP guidelines.
 2. Insurance programme implemented by the insurance intermediary is not linked to automobile sales by MISP either directly or indirectly.
 3. OEM does not set targets or offer incentives to MISP in meeting sales targets.
7. MIBL vide letter dated 10.9.2018 furnished the above information and also submitted a duly notarised affidavit confirming compliance of the MISP guidelines.
8. Based on the submission made, the Authority sought explanation on non-compliance of clause 5(f) (panel of insurers)/ clause 10 & 11 (code of conduct – same premium rate for different insurers) of MISP Guidelines vide letter dated 25th September, 2018. Further methodology of calculating discounts, process flow chart with regard to pre-sales including issuance of insurance policies and post sales servicing and sample copies of motor insurance policies were sought. In addition, MIBL was directed to share copy of the guidelines, circulars and correspondence exchanged on MISP with the Chairman of the Board of OEM (Maruti Suzuki Limited). A reminder letter dated 18th October, 2018 was sent to MIBL to expedite the submission of the necessary information. MIBL replied vide their email dated 17th November, 2018 furnishing the said information.



9. On examining the submissions made by MIBL vis-à-vis the information/ clarification sought, it is observed that MIBL had not complied with the applicable provisions of the Authority's Regulations/ guidelines/ circulars. The Authority issued a Show Cause Notice (SCN) to MIBL vide its letter dated 25th April, 2019 laying out the charges for the violation of the MISP guidelines and the IRDAI (Insurance Brokers) Regulations, 2018. MIBL submitted its response vide letter dated 4th June, 2019 and sought for personal hearing.
10. In view of the request of MIBL, a personal hearing on the SCN was granted by Member (Distribution). The personal hearing was held on 18th June, 2019 in the office of the Authority in Hyderabad. The following officials were present during personal hearing:

On behalf of the Authority:

- Shri Sujay Banarji – Member (Distribution)
Shri Randip Singh Jagpal –CGM (Intermediary)
Shri K. Srinivas – AGM (Brokers)
Shri Indradeep Sah – Assistant Manager (Brokers)
Shri Manoranjan Prusti – Assistant (Brokers)

On behalf of Maruti Insurance Broking Pvt Ltd:

- Shri Surender Shrivastav (Principal Officer)

11. Based on the charges levied against MIBL in the SCN, response of MIBL in its replies dated 10th September, 2018, 17th November, 2018 and 4th June, 2019 and the submissions made by MIBL during personal hearing on 18th June, 2019, the decision of the Authority with respect to each of the charges are as follows:

I. Charge 1–

A. Violation of clause 5 (f) of the MISP guidelines and subsequent clarifications dated 1st November, 2017 and 11th January, 2018 issued by the Authority

- i) The Authority is in receipt of complaints/ representations from some general insurers stating that they are willing to enter into a service level agreement with MIBL based on transparent and objective criteria. However, despite the insurance company having made many requests to MIBL for empanelling them, MIBL have neither responded nor empanelled them for selling motor insurance policies through their MISP's.

B. Submission of MIBL:

- i) MIBL in its reply letter dated 10.9.2018 to the Authority has enclosed an affidavit duly authorised stating that the MISP guidelines are being complied with in full. MIBL in the same letter have furnished names of 13 general insurers on its panel who sell motor

insurance policies as against a total of 25 general insurers doing motor insurance business.

- ii) MIBL in its reply letter dated 04.06.2019 to the Authority has submitted the following:
 - a) MIBL is in full compliance with the MISP Guidelines.
 - b) MIBL has SLA with 14 insurers representing 81% of market.
 - c) MIBL is in the process of on boarding 6 more insurers representing 96% of market
 - d) According to MIBL, integration takes time for delivering highest level of service to customer.
 - e) As per MIBL the service level agreement between MIBL and insurers is based on transparent & objective criteria.
 - f) MIBL has submitted that Indian motor insurance market should be based on customer service and not on number of tie-ups.
 - g) According to MIBL, it is not practically feasible to explain 24 motor insurance products to customer. So the number of tie-ups should be limited to 6-10.
 - h) MIBL has submitted that insurers have not reached out to them for empanelment.
 - i) So MIBL is in compliance of Reg 5(f) of MISP Guidelines
- iii) During the personal hearing MIBL reiterated the above points. In addition, MIBL submitted the following:
 - a) Before MISP guidelines, MIBL had empanelled 11 insurers and after guidelines 3 more insurers.
 - b) MIBL is in the process of on boarding 6 more companies.
 - c) MIBL will finalise Service Level Agreements with other insurers as well and complete the process and empanel all the general insurers before September, 2019.
 - d) MIBL submitted that integration with Insurer's systems for issuing policies and servicing takes time.
 - e) MIBL also submitted that there are challenges in respect to explaining the product features of all the insurers, as the customers are not ready to listen to the lengthy conversations.

C. Decision of the Authority

- i) The Authority examined the charges levied against MIBL in the Show Cause Notice issued to it. The Authority also perused the submission made by MIBL. It also took note of the submission furnished during the personal hearing.
- ii) After taking into consideration all the facts placed before it, the Authority is of the view that:
 - i) MIBL admitted to creating a panel of 13 general insurers out of a total of 25 general insurers.

- ii) Principal Officer of MIBL submitted an affidavit that the MISP Guidelines are being complied with in full which is contrary and wrong to the facts presented above.
- iii) Guideline 5(f) of the MISP Guidelines states that if an insurance intermediary appoints the MISP, then it shall work for the number of insurers as allowed under the respective regulations governing the intermediary.
- iv) Authority vide circular dated 1st November, 2017 clarified on guideline 5(f) of the MISP Guidelines that an insurance intermediary based on an objective and transparent criteria can enter into service level agreements with general insurers for selling motor insurance policies
- v) Authority circular of 11th January, 2018 reiterated that with the commission / remuneration levels for the insurance intermediaries and MISP being stipulated, the creation of a panel of insurers is restrictive, which can lead to undesirable market practices. Therefore, to remove misgivings in the minds of the stakeholders the Authority clarified that neither the insurance broker nor the MISP can create such a panel of insurer for selling motor insurance policies. However, the insurance companies should enter into service level agreements with insurance brokers/ MISPs based on transparent and objective criteria.
- vi) The above submissions by MIBL establishes that MIBL by creating a panel of insurers has violated clause 5 (f) of the MISP guidelines dated 31.8.2017 and subsequent clarifications dated 1st November, 2017 and 11th January, 2018.
- vii) In exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938 read with Clause 15(15)(d) of the MISP Guidelines dated 31.08.2017, the Authority hereby imposes a penalty of Rs. 1 crore (Rupees One crore) for the violation period exceeding 100 days which is from the date of implementation of the MISP Guidelines i.e. 1st November, 2017.

II. Charge 2:

A. Violation of

- i) **Guideline 11(k), 11(l), 11(m) r/w 6(a), 12 & 13 of the MISP guidelines dated 31.08.2017 and**
- ii) **Point No. 2 in conduct in matters relating to client's relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018.**
 - a) The Authority vide its letter ref no. IRDA/ DB 475-10/ 2018 dated 27th November, 2018 forwarded a complaint from Mr Prashant Mahtre on violation of the guidelines by MIBL by offering discount on labour and interior cleaning, thereby inducing the customer to insure/ renew their car insurance with Maruti Insurance Broker Limited which is a

violation of Section 41 of the Insurance Act, 1938 and the MISP Guidelines. The letter also carried attachment showing the customer savings when vehicle is insured through Maruti Insurance Broking Limited and otherwise. One of the advantages cited in the attachment is the cashless facility offered to the customer when going through the Maruti Insurance broker sponsored MISP.

- b) Further the Authority received complaints from customers of Policybazaar Insurance Web Aggregator Pvt Ltd that customers who are purchasing insurance policies through the web-aggregator's web-site are being denied the facility of cashless claims if the motor insurance policy has not been purchased through MIBL or through MISP's sponsored by MIBL.
- c) The Authority is in receipt of Maruti Suzuki Arena Balanced Scorecard 2019-20 which is the dealer evaluation system that covers multiple facets of business and maximizes their efforts in achieving highest level of performance across various parameters. This is in turn linked to the rewards which the dealer gets. Page 20 of the manual deals with Maruti Insurance retention under Customer retention chapter. There is elaborate methodology of rewarding the dealer for retaining the insurance policies issued through him. Such a condition is in contradiction to the affidavit submitted by the Principal Officer of MIBL and also in violation of the IRDA Circular no. IRDA/ INT/ MISP/ 5/ 01/ 2018 dated 11th January, 2018 which provides that no MISP or the insurance intermediary can enter into an agreement with the OEM which has an influence or bearing on the sale of motor insurance policy.

B. Submission of MIBL:

- i) MIBL through e-mail dated 7th December, 2018 admitted that the Dealer has offered these freebies to customer. But MIBL submitted that it has issued no advisory to the dealers to offer these freebies and as a preventive measure issued necessary instruction to dealers to stop offering them.
- iii) MIBL in its reply letter dated 10.9.2018 to the Authority has enclosed an affidavit duly notarised that the MISP guidelines are being complied with in full.
- iv) MIBL in its reply letter dated 04.06.2019 to the Authority has submitted the following:
 - a) MIBL has expressed regret on behalf of MISP.
 - b) MIBL has cautioned the MISP and issued instructions to MISP's to refrain from such practices and warned them of strict action if found violating.
 - c) MIBL has conducted onsite audit of the MISP to review their process and procedures and on receipt of satisfactory feedback permitted the MISP to undertake business.
 - d) MIBL has further taken the following steps:
 - i) Instructed MISPs not to offer freebies such as free insurance or Rs 1/- insurance.

- ii) Will conduct refresher training and sessions with focus on compliance along-with compliance newsletter and literature for sales team.
- iii) Introduction of special independent audits of MISP and upgrade internal controls.
- e) MIBL submitted that it is not aware of complaints of cashless facility. It further submitted that MIBL is not involved in decision making which happens between MISP and insurer.
- f) According to MIBL, most MISP offer cashless facility. Some MISP may not offer cashless facility due to delay in payment by insurers.
- g) Regarding the Maruti Suzuki Arena Balanced Scorecard – 2019-20, MIBL has stated the following:
 - i) MIBL is not involved in its preparation.
 - ii) MIBL has not entered into any agreement with MSIL to influence sale of motor insurance policy by MISP.
 - iii) According to MIBL the reason for having the Scorecard is to keep the MISP focussed on customer service.
 - iv) According to MIBL, Maruti Suzuki Arena Balanced Scorecard – 2019-20 is a miniscule part of reward programme.
 - v) According to MIBL, the Scorecard helps MSIL effectively monitor operations of MISP.
 - vi) MIBL stated that other OEMs also have such programme.
 - vii) MIBL also submitted that the Scorecard has the lowest weightage amongst all OEM programmes
 - viii) MIBL has intimated Authority's circular dt 11/01/2018 to MSIL.
- v) During the personal hearing MIBL reiterated the above points. In addition, MIBL submitted the following:
 - a) MIBL submitted that there are very few complaints received at their end on discounts offered (in single digits against millions of policies issued).
 - b) According to MIBL, e-mail dated 7.12.2018 was sent to all dealers sensitizing them about legal provisions, more particularly about section 41 of the Insurance Act, 1938, on prohibition of rebates. Copy of email was shared with the Authority.
 - c) According to MIBL, such offerings from dealers have been reduced to a large extent if not made zero.
 - d) According to MIBL, it has hired Agencies such as NOVO and NIIT on conducting:
 - a. refresher training (around 80 agents per month)
 - b. distributing compliance newsletters regularly
 - c. conduct of dealer's audit (with a checklist of around 40 points on compliance levels)

- e) MIBL denied that there is any discrimination amongst policyholders in cashless settlement of claims.
- f) According to MIBL, almost all dealers are listed on most of the insurance company's websites for cashless claims.
- g) MIBL submitted that insurers who have not been empanelled by MIBL are also giving cashless.
- h) MIBL was advised to share the said statistics which is not done by MIBL.
- i) On the Maruti Suzuki Arena Balanced Scorecard – 2019-20
 - a. MIBL submitted that this is a practice over the past two and half decades.
 - b. MISL (OEM) has different parameters out of which insurance weighs around 7% of the total score.
 - c. MIBL is taking up with MISL (OEM) for deleting insurance from the parameters.
 - d. MIBL has requested to retain it, if possible, else it will make arrangements to drop it.

C. Decision of the Authority

- i) The Authority examined the charges levied against MIBL in the Show Cause Notice issued to it. The Authority also perused the submission made by MIBL. It also took note of the submission furnished during the personal hearing.
- ii) After taking into consideration all the facts placed before it, the Authority is of the view that:
 - a) MIBL admitted that MISP sponsored by them have offered discount on labour and interior cleaning, thereby inducing the customer and indulging in unfair business practice which restricts the choice of the policyholder to choose the insurer or insurance intermediary. By denying the facility of cashless claims to the policyholder, when the motor insurance policy is not purchased through MISP's sponsored by MIBL, the MISP is discriminating between policyholders. MISP's have therefore violated Guideline 12 & 13 of the MISP guidelines dated 31.08.2017.
 - b) By admitting to Maruti Insurance retention, under Customer Retention programme as one of the performance parameters to judge the performance of the dealer and reward him accordingly, the Principal Officer has contradicted his assertion in the affidavit and also violated IRDA Circular no. IRDA/ INT/ MISP/ 5/ 01/ 2018 dated 11th January, 2018 which states that no MISP or the insurance intermediary can enter into an agreement with the OEM which has an influence or bearing on the sale of motor insurance policy.

By the above actions, the MISP sponsored by MIBL has violated the following guidelines:

- a. 11(k) – conduct its business in a manner prejudicial to the interest of the policyholder;
 - b. 11(l) – indulge in manipulating the insurance business;
 - c. 11(m) – indulge in unfair trade practices
- c) In addition, under Point No. 2, conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018 MIBL is required to avoid conflict of interest. By denying cashless claim facility by the MISP sponsored by MIBL to customers who have not bought insurance policy through MIBL, MIBL has violated the conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018.
- All the above submission by MIBL establishes that MIBL has violated Guideline 11(k), 11(l), 11(m) r/w 6(a), 12 & 13 of the MISP guidelines dated 31.08.2017 and Point No. 2 in conduct in matters relating to client's relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018.
- d) In exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938 read with Clause 15(15)(d) of the MISP Guidelines dated 31.08.2017, the Authority hereby imposes a penalty of Rs. 1 crore (Rupees one crore) for the violation period exceeding 100 days which is from the date of complaint of Mr Prashant Mhatre i.e. 1st November, 2018.

III. Charge 3:

A. Violation of

- i. **Regulation 4 of IRDAI (Insurance Broker) Regulations, 2018**
 - ii. **Point No. 2 of conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018**
 - iii. **Point No. 3 of conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018**
- a) MIBL vide letter dated 10.9.2018 has submitted a chart of the premium quoted by insurers in different geographies which are charged to the customers by insurers who are on MIBL panel. It shows that the premium being charged to the customer of different insurers is the same.

B. Submission of MIBL:

- i) MIBL has denied any role in fixing the premium being charged to the customer and instead held the insurer responsible for determining the premium to be charged to the customer.
- ii) MIBL in its reply letter dated 04.06.2019 to the Authority has submitted the following:
 - a) MIBL and MISP has no role in deciding premium rates offered by insurers.
 - b) According to MIBL, insurers are at liberty to change premium rates as per their underwriting policy.
 - c) According to MIBL, the current premium rates are provided by insurers.
 - d) As per MIBL, the platform provides customers to choose from best products according to service standards and not merely based on price offered by insurers.
 - e) MIBL business model offers customers to choose the insurer based on their preference and product comparison information provided by MIBL through MISP.
 - f) According to MIBL, buying insurance from MIBL/ MISP is not mandatory.
 - g) As per MIBL, during solicitation process MIBL's authorised verifier / MISP explain scope, product features, add-on covers, road assistance series, premium quoted by insurers, extent of insurance cover and other services.
 - h) MIBL also captures consent of customer.
 - i) According to MIBL, motor insurance product being a mandatory product, customers are not interested in understanding the product details
 - j) As per MIBL, on claims servicing side, MIBL seeks information on claims settlement status as well as monitors claims settlement process carried out by insurer to protect customer's interest.
 - k) MIBL has requested for system integration for review of claim repudiation before the same is communicated by insurer to customers.
 - l) MIBL has solicitation call recordings explaining to customers product, coverages and exclusions.
- iii) During the personal hearing MIBL reiterated the above points. In addition, MIBL submitted the following:
 - a) MIBL has denied the charge and submitted that the premiums are not uniform.
 - b) MIBL has reiterated that it has no role in determining the premiums.
 - c) MIBL distributes charts to different insurers to seek their premium rates based on parameters like region, model, etc.
 - d) According to MIBL, it is the insurers who have discussions among themselves to arrive at the premium rates.
 - e) MIBL showed some instances with policy schedule where different insurers charge different OD premium and compulsory PA cover for same IDV.
 - f) According to MIBL, premiums are also different for Long Term Policies.

- g) MIBL submitted that it neither has same premium for different insurers nor does it pressurize insurers to give discounts and have uniform rates.

C. Decision of the Authority

- i) The Authority examined the charges levied against MIBL in the Show Cause Notice issued to it. The Authority also perused the submission made by MIBL. It also took note of the submission furnished during the personal hearing.
- ii) After taking into consideration all the facts placed before it, the Authority is of the view that:
- a) MIBL being a representative of the customer, has a responsibility to ensure that he gets the best terms, benefits, coverages and render proper advice on appropriate insurance cover and terms as per Point 1 – Functions of a direct broker given in Schedule- I, Form A under Regulation 4 of IRDAI (Insurance Broker) Regulations, 2018. By having a uniform rate across all insurers, MIBL has not performed the functions of the direct broker and violated Regulation 4 of IRDAI (Insurance Broker) Regulations, 2018.
- b) Further under Point No. 3 in conduct in matters relating to sales practice under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018, MIBL is required to explain to the customer the degree of choice on the products that are on offer, provide comparison in terms of price, cover or service. By not explaining to the customer the degree of choice on the products are on offer, providing the customer a comparison in terms of price, cover or service, MIBL has violated the conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018.
- c) In addition, under Point No. 2 in conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018, MIBL is required to conduct its dealing with clients with utmost good faith and integrity at all times, act with care and diligence. By not getting the best terms, benefits, coverages for the customer, MIBL has not conducted its dealing with clients with utmost good faith and integrity, nor has it acted with care and diligence thereby violating the conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018 read with Section 42D (5)(g) and 42D (6) of the Insurance Act, 1938.
- d) All the above submissions by MIBL establishes that MIBL has violated i) Regulation 4 of IRDAI (Insurance Broker) Regulations, 2018; ii) Point No. 2 of conduct in matters

relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018; and iii) Point No. 3 of conduct in matters relating to clients relationship under Schedule I – Form H dealing with Code of Conduct under Regulation 30 & Regulation 8(2) of IRDAI (Insurance Broker) Regulations, 2018

- e) In exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938 read with Clause 15(15)(d) of the MISP Guidelines dated 31.08.2017, the Authority hereby imposes a penalty of Rs. 1 crore (Rupees one crore) for the violation period exceeding 100 days, which is from the date of implementation of the MISP Guidelines i.e. 1st November, 2017.

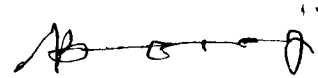
C. Conclusion

- i. Maruti Insurance Brokers Pvt Limited is the largest insurance broker in the country. It carries in its name, the name of the largest and the most popular car manufacturer in the country, that is associated with quality and reliability. Therefore, as the leader in the direct insurance broking segment, MIBL is the role model of insurance broking, which other broking companies seek to emulate. This places tremendous responsibility on MIBL as it is held as the torch bearer of the broking profession. In light of such expectations, MIBL was expected to act diligently and with utmost care and responsibility. Unfortunately, MIBL failed in complying with the MISP Guidelines which had been created to protect the interest of the policyholders and other stakeholders. This is evident from the penalties imposed for the violations of various provisions of the MISP Guidelines. In order to ensure compliance with the MISP Guidelines and to improve governance in MIBL, the Authority directs the MIBL to undertake the following changes:
- a) dismantle panel of insurers and empanel all insurers on platform, have full integration with insurers computer systems, ensure premiums quoted to customers come directly from insurer systems without any intervention by the broker and report compliance within 2 months from the date of order. In case any insurer does not wish to be part of the panel, the CEO of the general insurance company shall confirm the same in writing to the broker.
 - b) redesign the current system of seeking customer consent for purchasing the motor insurance policy in such a manner that the customer exercise choice of selecting the insurer through an OTP based system at the time of issuance of a new motor insurance policy or its renewal. The broker company shall complete the task in 6 months from the date of order and report compliance.
 - c) submit a quarterly audit report from DISA/ CISA certified auditor that the electronic platform / portal complies with the requirements of the MISP guidelines and in no way

- interferes or places restrictions in the premium to be charged by insurers or in any way restricts / influences the choice of the customer.
- d) ensure compliance of Guideline 5(f) of the MISP guidelines and circular dated 1st November, 2017 and 11th January, 2018 and report compliance.
- ii. The Authority takes serious note that the affidavit submitted by the Principal Officer of MIBL is contrary to the facts. Considering the seriousness of the issue, the Authority under Chapter V - Guideline 15(d)(1) of MISP Guidelines directs that MIBL shall not pay performance incentives to the Principal Officer for one year from the date of this order. MIBL shall submit compliance of this direction to the Authority.
- iii. Based on above decisions in charge no. 1, 2 & 3 M/s. Maruti Insurance Broking Pvt Ltd., is hereby directed to pay a penalty of Rs.3,00,00,000/- (Rupees Three Crores only)
- iv. The penalty of Rs 3,00,00,000/- (Rs. Three Crores) shall be remitted by MIBL through NEFT / RTGS (details of which will be communicated separately) within a period of 15 days from the date of receipt of this order. An intimation of remittance by MIBL may be sent to Shri. Randip Singh Jagpal, Chief General Manager (Intermediaries), IRDAI, Sy. No. 115/1, Financial District, Nanakramguda, Hyderabad, 500032.
- v. If the Insurance Broker feels aggrieved by the above decision of the Authority, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Place: Hyderabad

Date: December 17, 2019



(Sujay Banarji)

Member (Distribution)