

Ref. IRDAI/INT/ORD/MISC/43/02/2024

22nd February, 2024

ORDER

Under Section 14(1) of IRDA Act, 1999

In the matter of

Confiance International Reinsurance Brokers L.L.C., Labuan, Malaysia

Based on:

- (i) Show Cause Notice (hereinafter referred to as 'SCN') dated 27th December, 2021;
- (ii) Reply of M/s Confiance International Reinsurance Brokers L.L.C (hereinafter referred to as 'Confiance') dated 18th January, 2022 to the SCN;
- (iii) Submissions made by Confiance during virtual personal hearing on 12th April, 2022;
- (iv) Comments of M/s Unison Insurance Broking Services Pvt. Ltd. (hereinafter referred to as 'Unison') vide their letter dated 11th January, 2023 on the submissions of Confiance.

Background:

1. A complaint dated 21st December, 2018 was received from M/s TATA-AIG General Insurance Company Ltd. (hereinafter referred to as 'TATA-AIG') in respect of arrangement of reinsurance of its crop insurance risk through Unison. Based on the complaint and documents, it was found that Confiance and M/s Globe Master Consultants, Jaipur, India (hereinafter referred to as 'GMC') were involved in non-placement of reinsurance of crop insurance risk of TATA-AIG with the foreign reinsurers and issuance of forged reinsurance slips to Unison.
2. On examination of the contents of complaint and documents on record, the Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") had issued an order dated 8th January, 2020 against Confiance and GMC.
3. The Authority, vide the said order, issued directions to Indian insurers and its offices overseas, Indian reinsurers and its offices overseas, foreign reinsurance branches in India and Indian insurance intermediaries not to engage in any business activity with Confiance. Mr. Steven Chetty, MD of Confiance, Mr. Mukesh Ranwan (director of GMC) and Mr. Sachin Agarwal (director of GMC) were also barred from doing any insurance/reinsurance business in India.
4. Confiance and Mr. Steven Chetty filed an appeal before the Hon'ble Securities Appellate Tribunal (SAT) challenging the said order with prayer that the order may be set aside as it was passed without jurisdiction and beyond the powers conferred upon

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the Authority. It was also submitted that Confiance was not given any notice or opportunity of being heard before the issuance of said order and the order was, therefore, in breach of the principles of natural justice. It was appealed that that they had no involvement in the fraud and had not betrayed the trust of the reinsurance market.

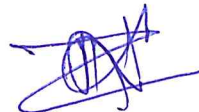
5. Hon'ble SAT, vide order dated 7th October, 2021, held that the appeal is maintainable and allowed the appeal as the principles of natural justice was not followed by giving opportunity of hearing to Confiance and Mr. Steven Chetty. Hon'ble SAT further held that it would be open to the Authority to proceed against Confiance and Mr. Steven Chetty in accordance with law.

Charge:

6. In deference to the above Hon'ble SAT order, the Authority issued an SCN dated 27th December, 2021 to Confiance to show cause as to why appropriate proceedings/directions should not be initiated in terms of the relevant provisions of the Insurance Act, 1938, the IRDA Act 1999 read with the Regulations and/or rules framed there under for:
 - a. Not acting with due care and diligence;
 - b. Not confirming cover to the insurer after effecting re-insurance and not submitting relevant reinsurance acceptance and placement slips;
 - c. Not ensuring prompt remittance of funds;
 - d. Not providing to the insurer a true and complete copy of the reinsurance placement slip to be used before entering the market;
 - e. Not furnishing to the insurer/reinsurer a true copy of the placement slip signed by the lead reinsurer quoting terms, indicating thereon, the signed line of the reinsurer;
 - f. Acting with malafide intentions and betraying the trust of the insurance market.

Confiance's submissions:

7. Confiance responded to the SCN, vide letter dated 18th January, 2022, wherein Confiance denied the charge made in the show cause notice and requested the Authority for a personal hearing opportunity in the matter.
8. The response of Confiance to the SCN is as follows:
 - a. Confiance is a victim of the circumstances as it has not done any act of omission or commission deliberately to betray trust. It is denied that Confiance has caused financial damage of approximately Rs. 113 crores to TATA-AIG. In fact, from the



reply filed by TATA-AIG before the Hon'ble SAT, Mumbai, it is not at all the case of TATA-AIG that Confiance is liable to make good their losses.

- b. Confiance appointed GMC effective from 15th January, 2018, as its Regional Consultant/ Representative for business development support for Indian Insurance Business.
- c. On or about April 2018, GMC brought to Confiance, insurance proposal for crop project for the entire state of Rajasthan. The potential Insurer for which reinsurance support sought was Shriram General Insurance Company (hereinafter referred to as "Shriram").
- d. Confiance made sincere attempt for obtaining support for this proposal through another broker namely Lloyds Broker, NDI Insurance & Reinsurance Brokers Ltd., who in turn was trying to get support of Liberty Specialty. NDI Insurance & Reinsurance Brokers Ltd. could not secure support for the insurance proposal. The same was informed to GMC on 6th June, 2018. This file was closed accordingly.
- e. Confiance had issued a signed slip to Shriram through their Reinsurance brokers, M/s Bharat Re-Insurance Brokers Pvt. Ltd. (hereinafter referred to as "BharatRe"), but not endorsed or bound by Liberty Specialty, as the potential lead Reinsurer was not able to support the risk. Therefore, the slips issued by Confiance, does not stand valid and were not accepted by Shriram. Further, the Insurance companies requires signatures/endorsement of the Reinsurer to confirm the risk and support. The same is clear from the email dated 6th June, 2018, addressed by GMC to Confiance and GMC is well aware of the same.
- f. GMC vide their email dated 12th June, 2018 approached Confiance with a new enquiry stating that there was another opportunity for providing reinsurance support for TATA-AIG through a Broker known as Unison.
- g. Confiance on 13th June, 2018, sought support for the proposal from NDI Insurance & Reinsurance Brokers Ltd. for providing reinsurance support for TATA-AIG crop insurance scheme. After a month of exploring markets, Confiance could not get support from any Reinsurance entities. The same was informed to GMC on 13th July, 2018.
- h. In the meantime, GMC informed Confiance that Unison would be able to obtain support from Best Meridian Insurance (hereinafter referred to as 'BMC') and Tokyo Marine Kiln (hereinafter referred to as 'TMK'). It was further informed to Confiance that Unison wanted to channel the business through Confiance.
- i. GMC vide an email dated 6th July, 2018 forwarded the reinsurance slip for Facultative support to TATA-AIG to Confiance for resubmitting it on the letter head of Confiance. It is pertinent to note that, Confiance was not directly dealing with BMI or TMK. As per the understanding, Unison and GMC were to obtain support



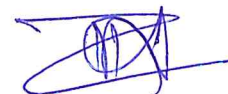
from BMI and TMK. Confiance received another e-mail from GMC wherein it was stated that the attached slips are signed by Unison and requested us to sign and return. It is pertinent to mention here that in the said email it was mentioned that Unison would issue their own slip to TATA-AIG.

- j. BMI and TMK both do not write crop insurance, as per the vast experience of Confiance, in the field of insurance and reinsurance globally. However, solely on the basis of the representation of GMC that Unison would obtain support from BMI and TMK, Confiance issued the signed but non-binding slips.
- k. Confiance, vide its email dated 9th July, 2018 raised concerns and questioned the different process adopted by GMC and Unison for placement of reinsurance. As Confiance had earlier dealt with similar reinsurance placements, the normal practice would be that Confiance send the signed and sealed slip to Unison and they in turn issue their own slip on their paper on a "Back to Back Cover" to the concerned Cedant/Insurer.
- l. However, in trust, good faith and on the basis of representation of GMC that Unison will obtain reinsurance support from BMI and TMK, Confiance signed and forwarded the non-binding reinsurance slips to GMC which were unendorsed by Reinsurers.
- m. Whilst the BMI unbinding slip was used on Confiance's paper, the other ARB/TMK unbinding slip was not even on Confiance's paper. This clearly reflects that Unison had given false assurances that they would obtain necessary support from BMI and TMK and wanted to channel the business through Confiance.
- n. It is the general practice in the reinsurance industry, that reinsurance slips are first signed by the broker and then endorsed/counter signed by the reinsurer. Reinsurance slips would be forwarded to the broker only after obtaining the endorsement/counter signature of the reinsurer.
- o. Although, Confiance had forwarded the reinsurance slip, it was still in the process of securing reinsurance with NDI Insurance & Reinsurance Brokers Ltd. of London, out of abundant caution.
- p. On 13th July, 2018, it was communicated by NDI Insurance & Reinsurance Brokers Ltd. to Confiance that reinsurance support to TATA-AIG cannot be provided and Confiance duly informed the same to GMC by forwarding an email received from NDI Insurance & Reinsurance Brokers Ltd.
- q. On 20th September, 2018, GMC forwarded an email addressed by Unison to Confiance, wherein it was mentioned that Unison had received the first payment from TATA-AIG for the facultative arrangement. Vide the said email, Unison requested GMC to share invoice/debit note to proceed for the remittance.

- r. Since Confiance had earlier forwarded the unilaterally signed re-insurance slips to GMC who in turn was to forward the same to Unison to be countersigned by BMI and TMK, Confiance believed in good faith that GMC and Unison have complied with their end of the transaction especially when premium disbursement had taken place from the end of TATA-AIG.
- s. Mr. Steven Chetty, Managing Director of Confiance, addressed an email to GMC stating that Unison be requested to issue credit note, which shall be signed by Confiance. Thereafter, an amount of USD 155,985.31 was transferred to Confiance by Unison.
- t. Although payment was remitted, copy of duly endorsed/signed and stamped reinsurance slips by BMI and TMK were not provided to Confiance despite repeated requests to GMC. Confiance did not have any direct contact with Unison and was communicating with Unison only through GMC.
- u. On 23rd October, 2018, Confiance received another amount of USD 837,000 for the same transaction of TATA-AIG Facultative Crop Insurance Proposal from Unison. On receipt of the second payment, Confiance enquired with GMC regarding the endorsement by reinsurer. GMC in reply though assured about the transaction, was not inspiring confidence, hence Confiance started suspecting the action of GMC. Confiance had not even issued any credit note in respect of the payment of USD 837,000. It is worthwhile to mention that an amount of USD 837,000 was transferred to Confiance' account without their knowledge and without even issuing the Credit Note as Confiance did while accepting the first tranche of payment. The two tranches of amounts received from Unison were neither treated as amount received towards premium or towards the brokerage in books of account of Confiance.
- v. On 20th November, 2018, Mr. Steven Chetty received an email addressed by Unison wherein Confiance were informed that BMI had written to TATA-AIG that slip issued by Confiance is a fraudulent slip and that they are not on risk. It is pertinent to note here that Confiance had never issued any slips to TATA-AIG. Moreover, on receipt of the aforementioned email, Confiance realized that GMC/Unison never forwarded reinsurance slips after the due endorsement of reinsurers i.e., BMI and TMK on confirmation from Unison. Confiance remitted the entire payment of USD 1,047,942.45 to Unison.
- w. Confiance immediately took foreside decision to seek reinsurance support. Confiance achieved to do so on 10th December, 2018 and that this reinsurance support would have protected TATA-AIG from inception date of the risk. Unison acknowledged the email, however, failed to respond to the same with their confirmation.



- x. Confiance further enquired with GMC about the reinsurance slip to understand whether the slips forwarded by Unison to TATA-AIG were endorsed by BMI or not. However, GMC failed to provide satisfactory explanation. As a result, vide email dated 11th December, 2018, Confiance cancelled/revoked the appointment of GMC as its Regional Consultants/Representatives for business support on Indian Insurance business.
9. The submission made by Confiance in the personal hearing on 12th April, 2022 is as under:
- a. Mr. Steven Chetty has been in the insurance industry for last four decades and has previously worked with Indian registered entities such as BharatRe, Shriram, TATA-AIG.
 - b. Confiance had appointed GMC as their Indian Representative for marketing insurance business in India.
 - c. Previously, through GMC, Confiance tried to place a crop insurance risk of Shriram and M/s Oriental Insurance Co. Ltd. with NDI Insurance Broker, London but was not successful. The Indian reinsurance broker in the proposal being BharatRe.
 - d. Mr. Mukesh Ranwan, director of GMC, contacted Mr. Steven with regard to the Reinsurance placement of crop insurance of TATA-AIG wherein Mr. Mukesh Ranwan stated that Unison shall arrange for the reinsurer/s for the cover and that Confiance has to just route the business.
 - e. Confiance received communication from GMC that Unison wanted overseas commission that is why the insurance was routed through Confiance.
 - f. Confiance had been partners with GMC for more than 15 years. Mr. Steven Chetty had faith on Mr. Mukesh Ranwan and therefore they considered the proposal.
 - g. As per the market practice, Confiance shared the signed but non-binding reinsurance slip with TATA-AIG through GMC and that the forging of reinsurance slip was done by GMC. GMC had communicated to Mr. Steven Chetty that they had forged the reinsurance slips. However, Confiance mentioned that there was no written communication of GMC regarding their admittance of forging the reinsurance slips.
 - h. GMC had reconstructed the reinsurance slips previously sent to GMC for the other risk, which was proposed to be placed through NDI Insurance Broker, London and BharatRe.



- i. After the matter of forged reinsurance slips came into light, Mr. Steven Chetty tried and was able to get reinsurance support for the risk, however, it was not accepted by Unison stating that TATA-AIG had no confidence on the proposal.
- j. Confiance had trust on GMC due to their established business relationship over the years.
- k. Most of the communication exchanged between Confiance and GMC was through 'Whatsapp'.
- l. Confiance revoked the appointment of GMC on 11th December, 2018.
- m. Confiance had not been vigilant in the course of the business transaction and relied on GMC for communication with Unison.
- n. Confiance has not received any communication/reference from TATA-AIG demanding that Confiance is liable to make good their losses due to non-placement of the cover. No action has been taken by TATA-AIG for the loss suffered, against Confiance.
- o. Confiance requested the Authority to reconsider its decision made vide order dated 8th January, 2020.

Unison's comments on Confiance's submissions:

10. Confiance made certain allegations on Unison and GMC in its submissions. Consequently, communication letter dated 4th January, 2023 was sent to Unison and GMC seeking their comments on the allegations vide email dated 5th January, 2023.
11. GMC did not respond to the letter dated 4th January, 2023.
12. Unison responded vide its letter dated 11th January, 2023 as under:
 - a. Unison never represented to Confiance that Unison wanted to channel the business through Confiance if it could itself obtain support from BMI and TMK. It is plainly illogical for Unison to channel the business through Confiance if it could by itself obtain support from BMI and TMK.
 - b. The reinsurance slips appeared genuine on the face of it. Even TATA-AIG did not find anything suspicious in the slips. The TMK slip was addressed to Confiance and was provided to Unison from Confiance's India representative.
 - c. The BMI slip was on Confiance letter head and signed by Mr. Steven Chetty. Since Unison had received the signed slip of BMI on Confiance letter head, it was

accepted that Mr. Steven was arranging for the reinsurance support and had accordingly obtained support from ARB (TMK). The ARB slip, issued by ARB as it is a Lloyd's broker, was addressed to Confiance and had the signature and stamp of TMK.

- d. The guarantee for the veracity of reinsurance slips arose from the fact that the reinsurance premiums received from TATA-AIG was directly paid by Unison to the account of Confiance which is a duly licensed entity for reinsurance business. In the ordinary course of business, since payments were being made to a licensed entity for the reinsurance slips and the received reinsurance slips were on its face from known reinsurers, it was sufficient for Unison and TATA-AIG to believe them to be correct.
- e. The refund of the reinsurance premiums was made by Confiance. What justification can there be for Confiance to hold the reinsurance premium in its bank account for over 4 months if it had not executed any reinsurance against it.
- f. The text of the email, "We will prepare our slip and send to TATA-AIG", is a Broker's practice of sending cover note. Besides, sending the 2 slips which were shared by Confiance's India representative on 11th July, 2018 and 12th July, 2018, Unison also sent the Cover Note to TATA-AIG on 17th July, 2018 as per IRDAI (Insurance Brokers) Regulations, 2018.
- g. Confiance's MD, Mr. Steven Chetty and Confiance's Indian Representatives were acting together and were on know-how of each other's actions on the incident. Throughout the period of transaction, Mr. Steven Chetty kept its Indian representative, Mr. Mukesh Ranwan, in copy in the email correspondences. The reinsurance premium was paid by Unison to the bank account of Confiance. If Confiance was aware that the slips were forged why did they hold the reinsurance premiums in their bank account for months together.

Observations:

13. The statement of Confiance, in response to the show cause notice, regarding depending solely on the basis of representation of GMC, despite knowing that BMI and TMK do not write crop insurance is not tenable.
14. Confiance neither approached the Authority, Luban Financial Services Authority nor filed any complaint before law enforcement agencies on acceptance by GMC regarding forging of slips, as submitted by Confiance.
15. The funds were remitted back by Confiance to TATA-AIG through Unison after approximately 2 months on 26th November, 2018 from the date of remittance of 1st instalment i.e. on 26th September, 2018. Confiance had been keeping the premium



with it and did not make any efforts to transfer the premium to the concerned Re-insurers or communicate with them. No reason was provided by Confiance on this matter.

16. With regard to the statement of Confiance that GMC informed Confiance about forging of the slips by GMC and that Unison had accepted these slips from them without any question or verification from their clients, it is noted that Confiance did not submit any documentary evidence in support of the same.
17. With regard to the submission of Confiance that an amount of USD 837,000 was transferred to Confiance's account without their knowledge and without even issuing the Credit Note, it is on record that a credit note was issued by Confiance, as per email dated 12th October, 2018 sent by Confiance to Unison.
18. As regards the submission of Confiance that GMC informed Confiance that Unison would be able to obtain support from BMC and TMK and that it was informed to Confiance by GMC that Unison wanted to channel the business through Confiance, no documentary evidence regarding communication exchanged between Confiance and GMC has been provided by Confiance.
19. Confiance, in its submissions dated 18th January, 2022 in response to the show cause notice, and in the personal hearing dated 12th April, 2022, has not provided documentary evidence which is sufficient to support its plea for reconsidering the decision made by IRDAI vide order dated 8th January, 2020.
20. Hence, Confiance has failed to satisfactorily respond on the charges mentioned in the Shown Cause Notice.

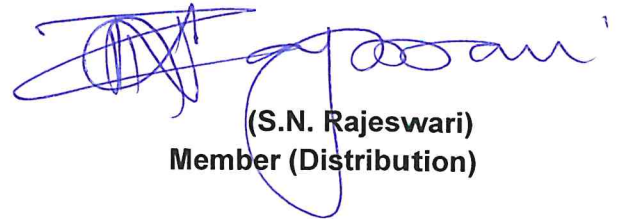
Decision of the Authority:

21. Considering the facts stated above and the involvement of Confiance - foreign reinsurance broker and its Indian representative, GMC in the chain of events and its implication in the reinsurance market in India, it is established that the cession of reinsurance premium, issuance of the forged reinsurance slip and subsequent refund of the reinsurance premium by Confiance constitutes a serious and grave violation.
22. The actions of Confiance in reinsurance transaction caused inconvenience to TATA-AIG in India which could have potential loss to the insurer and its policyholders. It is a considered view that the actions of Confiance were deliberate and harmful. During the entire episode Confiance made no efforts to clarify its stance and simply returned the premium which in turn proves that Confiance has not exercised due care and diligence by not placing the risk with the foreign reinsurers and issued forged reinsurance slips to the Indian Reinsurance Broker.



23. Therefore, considering the facts and circumstances and gravity of the case on the role of Confiance in the transaction, the Authority in exercise of the powers vested in Section 14(1) of the IRDA Act, 1999:
- a. Prohibits Confiance from the Indian insurance market, directly or indirectly, in whatsoever manner, for a period of 2 years from the date of this order.
 - b. Directs the Indian insurers and its offices overseas, Indian reinsurers and its offices overseas, foreign reinsurance branches in India and Indian insurance intermediaries not to engage into any business activity with Confiance, directly or indirectly, in whatsoever manner, for a period of 2 years from the date of this order.

Place: Hyderabad
Date: 22nd February, 2024



(S.N. Rajeswari)
Member (Distribution)