



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

Order No. IRDAI/INT/ORD/MISC/42/2/2024

Date:22.02.2024

Order of Insurance Regulatory and Development Authority of India in the matter of M/s. Dealmoney Securities Private Limited, under Regulation 28 and Schedule III (Code of Conduct) of IRDAI (Registration of Corporate Agents) Regulations, 2015 read with Section 42 D and Section 102 of Insurance Act, 1938

1. **Background**

The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority" or "IRDAI") had issued Certificate of Registration (hereinafter referred to as "CoR") with no. CA0081 to M/s Dealmoney Securities Pvt. Ltd. (hereinafter referred to as "DSPL" or "CA") for the period 01.04.2016-31.03.2019 to act as a 'Corporate Agent' and subsequently the CoR was renewed for a further period of three years till 31.03.2022.

- b. The Authority had noted that there were several news articles appearing regarding DSPL in the news dailies. The articles appeared in the month of November and December 2019 citing fraud perpetrated by the employees of the DSPL.
- c. News article of Times of India newspaper dated December 24, 2019 and several other articles reported that the Bidhan Nagar Cyber Crime Police Station, Kolkata had conducted raids on the office of the DSPL, situated at Sugam Park, Salt Lake, Sector V, Kolkata. It was reported that the police received many complaints from Kolkata, Tripura, Odisha and other states of North East against the DSPL on misconduct and cheating and there were more than 1000 victims. As per the articles, different modus operandi were used by DSPL to cheat public, which include the employee of DSPL calling
- the public claiming as IRDAI official and offering to revive lapsed policy,
 - as officials who would arrange easy personal loans against minimum documents,
 - as employee of the call centre of DSPL, calls were made to people who had stopped paying premiums for an insurance
 - to get the insurance money with interest and ask them to make a small investment with them again.

The articles reported that the Police arrested one Mr. Abhijeet Dey, Director of the DSPL and Mr. Pradeep Kumar Roy.

- d. The Authority had sought several clarifications from DSPL on the said news article. DSPL vide its email dated 31st July, 2021 submitted along with documentary evidences, that they took corrective actions against the errant employees by issuing show cause notices and lodging FIRs and also compensating the aggrieved complainants.

e. On scrutiny of the submissions made by the Corporate Agent, a Show Cause Notice (SCN) was issued on September 29, 2021 for alleged violations of various provisions of IRDAI (Registration of Corporate Agents) Regulations, 2015 (hereinafter referred as Corporate Agent Regulations), for which the reply was received on November 3, 2021. While giving reply, DSPL had requested for a personal hearing which was granted by the Authority, and it was held on December 15, 2023. On behalf of the DSPL hearing was attended by Mr. Pandoo Naig, Director and Mr. Nasir Pathan, Authorized Representative. On behalf of the Authority, Ms. S.N. Rajeswari, Member (Distribution), Ms. J. Anita, Chief General Manager, (Intermediaries), Ms. R. Uma Maheswari, General Manager (Intermediaries), Mr. Kurapaty Sridhar Rao, Deputy General Manager (Intermediaries), and Mr. Rohit Rajdev, Manager (Intermediaries) attended the meeting.

The details of the charges, submissions of the DSPL and the observations and conclusions of the Authority are as under:

2. Charge No.1

2.1 Violation of Regulation 22 (2) of Corporate Agents Regulations, 2015 -

2.1.1 Reg. 22 (2)- a corporate agent that holds a valid registration shall, subsequent to the issuance of registration, disclose, to the Authority voluntarily, any change in material facts, based on which the registration was made to them, within a reasonable time but not later than 30 days from happening of such change.

2.1.2 As per these provisions, any CA, who has been given CoR by the Authority, is required to inform the Authority of any material change in information or particulars already submitted, forthwith but not later than 30 days from happening of such change.

2.2 The CA was granted renewal of COR for a period of three years from 01.04.2019 to 31.03.2022. In this regard, the following facts were noticed, which were not informed by the CA to the Authority, allegedly in violation of Regulation 22(2):

- I. In the point 5.1 of Form A (renewal application) submitted by the CA, it had submitted that there were 'Nil' settled and pending disputes and had failed to intimate regarding the fraud being perpetrated in the office of the CA.
- II. Further, the CA had failed to intimate regarding the FIR filed by it against its own director.
- III. The CA had failed to intimate the Authority regarding resignation of its CEO and director- Mr. Dishant Sagwaria.

2.3 DSPL Submission: In response to this charge in the SCN, DSPL made the following submissions:

DSPL had no reason or intention for not informing the Authority regarding the proceedings initiated in the matter of fraudulent practices of the Company's Director. The matter came as a shock to DSPL and it was contemplating on the course of action to be initiated in the matter. Further, it is not specified in the said Regulation 22 that

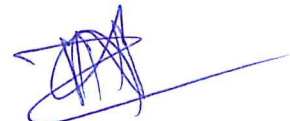
any such action has to be intimated to the Authority. . However, as a prudent organization, as soon as DSPL was aware of alleged misgivings, it filed a complaint with the police who registered an FIR against ex-Director, Mr. Vikram Rathod. Based on the police complaint, Mr. Vikram Rathod and the other connected persons arrived at a settlement with the DSPL whereby they agreed to return the defrauded amount. Since the amounts were agreed to be returned and the matter was resolved at that stage itself, there was no dispute to be reported to the Authority. The FIR was filed in Feb 2019 and the application for renewal of registration was made in March 2019. The application for renewal of registration clearly states that Mr. Vikram Rathod has resigned from the company and that his resignation was under process and Ex-CEO Mr. Dishant Sagwaria, had resigned for personal reasons. Mr. Deven Baijal was the principal officer at that point in time. The Principal officer was tasked with informing the IRDAI and DSPL have been told that he had intimated the IRDAI via an email and a letter which could not be retrieved. Since Mr. Deven Baijal is no longer working with DSPL, the email communication could not be retrieved. We could retrieve a proof of delivery from our courier agency which shows that the said communication was sent to Hon. IRDAI. A copy of the POD is submitted

During the hearing DSPL stated that after resignation of Mr. Vikram Rathod, Director, who was involved in the fraud, it had appointed Mr. Abhijey Dey as Additional Director who was later on terminated on 15.01.2020 for perpetration of fraud.

2.4 Observation and Conclusion:

2.4.1 At the time of renewal, there were complaints/ disputes against DSPL, which were followed by resignation of Shri Vikram Rathod and subsequent FIR against him. These disputes were not disclosed in the renewal application dated 05.02.2019. The renewal application of the CA provides the pending disputes as 'NIL', however, as per the illustrative list of claimants submitted by DSPL vide its submissions dated 18.07.2023, it is noticed that it has made payments totalling Rs.76,12,258/- to 58 individuals till the month of May,2023. DSPL in its submissions vide email dated 10.08.2021 provided a list of complaints where policies were issued during the year 2018. Thus, DSPL was aware of the disputes during the process of the renewal and it did not disclose the same, suo moto, to the Authority.

2.4.2 DSPL has admitted that it's Director was involved in fraudulent practices. From the renewal application, it was noticed that Shri Vikram Rathod, Director, resigned from DSPL on 05.02.2019. The FIR filed against Shri Vikram Rathod was not disclosed or submitted to the Authority during the renewal process. Further, it was admitted by DSPL in the reply to SCN that Shri Vikram Rathod and other connected persons arrived at a settlement to refund the defrauded money. The submission of the DSPL that it was not required to disclose the same as per the regulations is not accepted as it is a material information for the Authority.



2.4.3 Regarding the non-disclosure of resignation of CEO/Director, the courier receipt attached by DSPL is not a Proof of Delivery (POD) as there is no acknowledgement of receipt of the courier. DSPL's inability to locate its own submissions to the Authority shows lack of internal controls and deficiency in record management system. Further, Involvement of DSPL's Directors in the fraud shows lack of proper controls and governance mechanism.

2.4.4 Considering the admission of fraudulent practices of Directors by DSPL, it can be established that the fraud happened during the term of Shri Vikram Rathod who resigned on 05.02.2019 and Shri Abhijet Dey, who was terminated on 15.01.2020. As per the above observations, the violation of the Regulation 22(2) continued for a period exceeding 100 days.

2.4.5 Considering the above, it is concluded that DSPL is in violation of Regulation 22(2) of Corporate Agents Regulations, 2015 and consequently as per Regulation 22(6) failure to adhere to the conditions of Regulation 22 would attract regulatory actions. In exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938, the Authority hereby imposes a penalty of Rs. 1 crore (Rupees one crore) for the violation period exceeding 100 days.

3. Charge No. 2

3.1 Violation of Clause II, Sub-clause 3 (ii) (o) of the Schedule III Code of Conduct of Corporate Agents Regulations, 2015.

3.1.1 *As per the above clause, no corporate agent/ principal officer/ specified person shall engage, encourage, enter into contract with or have any sort of arrangement with any person other than a specified person, to refer, solicit, generate lead, advise, introduce, find or provide contact details of prospective policyholders in furtherance of the distribution of the insurance product.*

3.1.2 The CA had submitted that the perpetrators of the fraud were ex-employees, but later on the CA submitted that it had dismissed several 'facilitators'. The CA had submitted that 'facilitators' were lead generators and not employees of the company vide email dated 10th August, 2021. According to regulations, corporate agent shall not engage, encourage, enter into contract with or have any sort of arrangement with any person other than specified person, to refer, solicit, generate lead, advise, introduce, find, or provide contact details of policyholders in furtherance to the distribution of insurance product.

3.2 DSPL Submission: DSPL is engaged in various lines of business which includes stock broking, arranging for loans (home, car, personal etc.) for a borrower from a lender, selling credit cards on behalf of issuer banks, selling insurance (as a corporate agent) etc. All the businesses are fee-based businesses wherein DSPL acts as an agent and receives fees for its services. In the email dated 10 August 2021, it is nowhere mentioned

that the 'facilitators' were generating lead for the insurance business. In fact, the 'facilitators' were generating lead for other businesses like loans and credit cards. As per DSPL's policy only specified persons speak to customers who are interested in buying insurance policies as specified in the Regulations. There is no single complaint or allegation that any of these entities/ individuals have been representing themselves on behalf of DSPL and the charge in the SCN is not borne out of the communication dated 10 August 2021.

3.3 Observation and Conclusion

3.3.1 In the sample 'Referral Agreement' submitted by DSPL, it is mentioned in the clause 5.1.1 that the facilitator has to comply with regulations and statutory requirements of RBI, SEBI, AMFI and IRDAI. The DSPL's submission that facilitators were only generating leads for businesses of loans and credit cards is not borne out of facts and hence are not accepted.

3.3.2 DSPL had submitted the termination letters of 'Referral Agreement' as an action against the errant employees. In the termination letter, it is mentioned that the facilitator has been found to be in violation of several clauses including 5.1.1. It was highlighted during the hearing that the fraud committed by DSPL was related to insurance business and these termination letters were submitted as an action taken by DSPL against the employees who had misused the official resources.

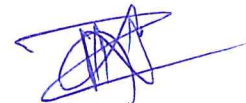
3.3.3 As per the submissions of DSPL, the date of appointment on one of the sample Referral Agreements is 5th November, 2017 and the date of termination for same is 26th December, 2019. DSPL used the services of facilitators for a period exceeding 100 days.

3.3.4 Hence, DSPL is in violation of Clause II, Sub clause 3 (ii) (o) of the Schedule III Code of Conduct of Corporate Agents Regulations, 2015, wherein they have engaged the services of several 'facilitators' for its insurance business, which are not permitted as per the regulation. In exercise of the powers vested in the Authority as per the provisions of the section 102(b) of the Insurance Act, 1938, the Authority hereby imposes a penalty of Rs. 1 crore (Rupees one crore) for the violation period exceeding 100 days.

4. Charge No.3

4.1 Violation of Regulation 22(5) of Corporate Agents Regulations, 2015

4.1.1 *The corporate agent shall disclose to the Authority the details of its offices in which they propose to distribute insurance products and details of Specified Persons along with their certificate number issued by the Authority. Further, any opening or closure of an office by a corporate agent shall be informed to the Authority. The Authority may seek further information as it deems appropriate.*



4.1.2 The CA had failed to inform regarding the date of closure of its Kolkata office. The details of fraud perpetrated at this office were intimated to the Authority once clarification was sought; post the fraud being made public.

4.2 DSPL Submission: The Kolkata office was closed temporarily as DSPL was ascertaining the complete list of people who were involved in the alleged wrong doing and in order to ensure that no fraud perpetrates any further. Unfortunately, the Covid-19 pandemic hit the country in January 2020 and nationwide lockdowns were announced in March 2020. The lockdowns were in place till 8th June 2020 and thereafter had a phased reopening. There were several government restrictions which did not allow full operationalization of the offices. Vide email dated 6th January 2020 it was informed to the Authority that all operations from Kolkata were stopped. Due to the nationwide lockdowns, Kolkata Office could not be re-opened and the fact that the office was closed was duly communicated by the email dated 6th January 2020. Due to all these factors, the Kolkata office has been closed down partly due to circumstances and partly due to compulsions.

4.3 Observation and Conclusion

DSPL had informed the Authority vide email dated 6th January, 2020 that they had stopped operations at the Kolkata office and they were investigating involvement of all persons in that office. However, the specific provision of Regulation 22 (5) states that the closure and opening of the office is to be informed to the Authority. DSPL did not confirm the date on which the office was officially closed. Considering the fact that DSPL had informed about the closure of Kolkata Office and the submission that the office was closed to curb the fraud and due to other Government mandates it is decided to not press charges for this violation.

5. Charge No.4

5.1 Violation of Clause II, Sub-clause 3 (ii) (I) of the Schedule III Code of Conduct of IRDAI (Registration of Corporate Agents) Regulations,2015-

5.1.1 No corporate agent/ principal officer / specified person shall undertake multi-level marketing for soliciting and procuring of insurance products

5.1.2 It is noted that an entity i.e. M/s P.P. Enterprises Ltd was a sub broker of the CA. Further, Pranjali Vaykar has also been mentioned as its sub- broker in the submissions. M/s P.P. Enterprises and Pranjali Vaykar may have indulged in multi-level marketing.

5.2 DSPL Submission: DSPL is in various lines of business. PP enterprises Ltd. and Pranjali Vaykar were appointed as sub-brokers for non-insurance related business and had no role to play in the insurance business. PP enterprises Ltd. and Pranjali Vaykar were not engaged in soliciting / procuring insurance. The insurance solicitation / procurement is done only by authorized persons within the organization. It is denied that

we have undertaken any multi-level marketing for soliciting or procuring any business. There is no evidence that either of the aforesaid persons solicited or procured any insurance business for the DSPL. As per the FIR and DSPL mail dated August 10, 2021 false ledgers were created and payouts of brokerages/ sub-brokerages of amount Rs.92 Lakh (approx..) and Rs.1.62 Crores (approx..) were made. DSPL had submitted that some of the business that was done / procured by the employees of the company was falsely shown as logged in by sub-brokers namely M/s PP Enterprises and Pranjali Vaykar.

5.3 Observation and Conclusion:

The facts of the case indicate that there are payouts made by DSPL but multilevel marketing for soliciting insurance cannot be established. Therefore, Authority has decided not to press charges for this violation.

6. Decision

6.1 The operational conduct of DSPL exhibited deficiencies in governance, lacked adequate controls, failure to inform the Authority of material changes and permitting facilitators to solicit insurance business in violation tantamount to violations of the provisions of the Corporate Agents Regulations 2015. Considering the aforementioned violations, as dealt in detail above, the Authority in exercise of powers vested in Section 102 of the Insurance Act, 1938 imposes penalty as under:

Charge No.	Violation of Provisions	Decision
1	Reg. 22 (2) of Corporate Agents Regulations, 2015	Penalty of Rs. One Crore
2	Clause II, Sub- clause 3 (ii) (o) of the Schedule III Code of Conduct of IRDAI (Registration of Corporate Agents) Regulations, 2015	Penalty of Rs. One Crore
3	Regulation 22(5) of IRDAI (Registration of Corporate Agents) Regulations, 2015	Not pressed
4	Clause II, Sub- clause 3 (ii) (I) of the Schedule III Code of Conduct of IRDAI Corporate Agents Regulations, 2015	Not pressed

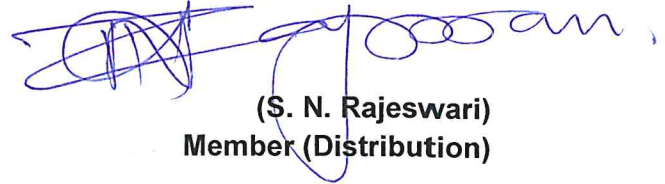
6.2 The involvement of Directors viz. Shri Vikram Rathod and Shri Abhijet Dey, of DSPL in the fraud shows failure of corporate governance. The Directors of DSPL failed to protect the interest of the policyholders. Further, considering the fact DSPL violated the Code of Conduct specified by the Regulations made by the Authority, the Authority declares M/s Dealmoney Securities Private Limited, Shri Vikram Rathod and Shri Abhijet Dey as disqualified under the clause (g) of sub section 5 of Section 42(D) of the Insurance Act, 1938.

6.3 Further, considering the serious lapses and lack of corporate governance practices and to protect the interest of general public, the Authority, in exercise of the powers vested in it as per the provisions of the sub clause (3) of clause II of Schedule V of the Corporate Agents Regulations 2015 prohibits M/s Dealmoney Securities Private Limited from the insurance market, from applying for registration as 'insurance intermediary' and from soliciting insurance under the Group Insurance Guidelines of the Authority, directly or indirectly, in whatsoever manner, for a period of three years from the date of this order.

6.4 Further, DSPL has to continue to identify the victims of the frauds and ensure that they are compensated for their loss. Further, DSPL is directed to submit an action taken report in this regard to the Authority within a period of 6 months.

6.5 The penalty amount of Rs.2 Crores (Rupees Two Crores only) shall be remitted by DSPL within a period of forty-five days from the date of receipt of this order through NEFT/RTGS (details for which will be communicated separately).

7. If DSPL is aggrieved by this order, an appeal may be preferred before the Securities Appellate Tribunal, as per the provisions stipulated under Sec 110 of the Insurance Act, 1938.



(S. N. Rajeswari)
Member (Distribution)

Place: Hyderabad

Date: 22.02.2024