



No. IRDA/ENF/ORD/ONS/ 163/06/2021

**Final Order in the matter of**

**INTEROCEAN INSURANCE SUEYORS AND LOSS ASSESSORS PVT. LTD.**

**[Based on reply to the Show Cause Notice (SCN) dated 26-05-2020 and submissions made during the hearing through video conference held on 22<sup>nd</sup> April, 2021 at 3 p.m., chaired by Member (Non Life).]**

**Background: -**

1. The Insurance Regulatory and Development Authority of India (Authority) had conducted during 05/08/2019 to 09/08/2019 an onsite inspection of M/s. Interocean Insurance Surveyors and Loss Assessors Pvt. Ltd. (SLA).
2. The Authority forwarded a copy of the Inspection Report to the SLA on 16-09-2019 seeking comments and the SLA's comments were received. Upon examining the documents on hand and submissions made by the SLA, the Authority issued Show Cause Notice (SCN) to the SLA on 26-05-2020 which was responded to by the SLA vide letter dated 15-6-2020.
3. As requested therein, a hearing through video conference was given to the SLA on 22<sup>nd</sup> April, 2021. Shri S. Vijayakumar, Director, and Shri Suresh Chandra Nigam, HOD (Survey Dept), attended the hearing on behalf of the SLA. On behalf of the Authority, Shri Prabhat Kumar Maiti, GM (Enforcement), Smt. KGPL Rama Devi GM (Surveyors), Shri B. Raghavan, DGM (Enforcement), and Smt. Nimisha Srivastava, DGM (Surveyors), attended the hearing.
4. The submissions made by the SLA in their written reply to the Show Cause Notice and those made during the hearing through video conference and the documents submitted by the SLA in evidence of their submissions have been considered by the Authority and accordingly the decisions on the charges are detailed below.

**5. Charge No.1**

Violation of regulation 16(5) of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015; which envisages that Surveyor and Loss Assessor shall not accept or perform survey works in areas for which he does not hold a license.



**Observation:** Out of the total 75 samples collected from the pre-inspection data for the F.Y. 2018-19 there were 47 Marine claims; which are claimed to have been surveyed by S. Vijaya Kumar or Capt. Jai Kumar. However, the reports were signed by Mr. Fasih Uddin Ahmed.

Similarly, 56 samples collected for the F.Y. 2017-18 there were 51 Marine claims; which are claimed to have surveyed by S. Vijaya Kumar. However, the reports were signed by Mr. Fasih Uddin Ahmed.

Mr. Fasih Uddin Ahmed was not licensed for doing the “Marine Cargo” surveys, during the period when he signed the reports and as per the submission of SLA he got the license for Marine Cargo only on 05-07-2019.

### **Summary of Reply to SCN:**

Mr. Fasih Uddin Ahmed who signed the survey report signed them in anticipation of getting appropriately licenced. SLA’s understanding was that Mr. Fasih Uddin Ahmed who was head of department can sign the report. They realized the oversight and have assured not to repeat such oversights. The SLA reiterated the submission during the personal hearing.

### **Decision:**

Regulation 16(5) states that a surveyor is not permitted to accept or perform survey works in areas for which he does not hold a license. In this case, the reports have been signed by Mr. Fasih Uddin Ahmed and hence it is concluded that he has carried out survey without holding requisite qualifications and training. The act of Mr. Fasih Uddin Ahmed is not in conformity with the relevant regulation. But for doing so, the SLA has come out with the logic that they were under the impression that Mr. Fasih Uddin Ahmed who was head of department can sign the report and hence he signed the reports. In addition, the SLA has submitted that Mr. Fasih Uddin Ahmed had signed the reports unintentionally.

From the copy of sample Marine Cargo Survey reports collected during the Inspection, 20 of such survey reports, where reports were prepared during the Financial Year 2017-18 and 2018-19, were signed by Mr. Fasih Uddin Ahmed as a Surveyor. Considering that these reports are signed before he *got the license for Marine Cargo on 05-07-2019; there is a violation of regulation 16(5) of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015*. It is observed that these 20 Marine Cargo Surveys were conducted and signed on 8 different dates. Hence, by virtue of the powers vested in it under Section 102(b) of the Insurance Act, 1938, the Authority levies as penalty on the SLA an amount of Rs.8 Lakh (Rupees Eight lakh only).

Further the SLA is directed to confirm that this practice has been stopped from the date of inspection, that is 05/08/2019 and that only surveyors having valid license are doing the survey and signing the survey reports.



## 6. Charge No. 2:

Violation of regulation 13 (2) of Chapter IV of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015.

**Observation:** It was observed that the corporate surveyor has conducted numerous surveys during the financial years 2016-17 to 2018-19. While going through the date of submission of reports to Insurers (from the submitted data), it was noticed that out of these surveys, in 89% cases survey reports are submitted after the regulatory time limit of 30 days. Further the delay observed in all sampled cases was more than 180 days.

### **Summary of reply to SCN:**

Surveyor who carried out the surveys resigned from the SLA and never informed the SLA about the pendency in insurance survey reports submissions in compliance with regulation 13(2), which resulted in delayed submission of survey reports.

During personal hearing, while reiterating their reply to SCN, the SLA submitted that concerned Surveyor was the Director of the company and though he was Director, he did not take interest in the work and never completed the work on time. When he left, another Surveyor joined the company and he took steps to complete the pending reports. In cases where there was delay, the verbal consent of the insurer was taken, and all reports were completed & submitted with regular follow up and consonance with the insurers. The SLA accepted that out of the cases identified, in majority of cases there was delay in submission of the reports beyond the time limit allowed by the regulations. The SLA has assured to be careful to monitor surveys and timelines as stated in the Regulation 13(2).

### **Decision:**

The percentage of cases where reports have been submitted by the SLA beyond the timeline specified in the regulations, is very high. Added to this is the fact that the SLA neither sought extension of time from the insurer for submitting the report late, nor informed the insured about the delay that would be taking place. In that connection, SLA's attention is drawn to Regulation 13(2) envisages that (wherever delay would occasion) the SLA shall under intimation to the insured; seek an extension, from the insurer for submission of his report. However, the SLA failed to observe the same.

For their failure as above, the SLA has come out with justification by putting the blame wholly on a former Director Surveyor. In this connection, it is noticed that delay in the submission of reports has taken place even in the period subsequent to the exit of the Director concerned.

The scenario as above indicates not only the absence of control of the management over the surveyors, but also the complete insensitivity in fulfilling the responsibilities for ensuring timely submission of reports. The manner of functioning of the SLA has the grave potential to jeopardize the interest of policyholder.



In view of the above, the SLA is directed to put in place robust mechanism to ensure that the lapses/failures of the nature noticed in their functioning are not repeated and demonstrate the same to the Authority. The SLA is cautioned that if the lapses recur the same, shall be dealt seriously. The SLA is further directed to ensure compliance of Regulation 13 (2) of Chapter IV of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015, in letter and spirit, within 21 days of receipt of this order.

### **7. Charge No.3:**

Violation of Regulation 4 of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 and IRDAI Cir. No. IRDA/SUR/CIR/ MISC/ 118/ 08/2018.

**Observation:** As per regulation 4 of IRDAI (ISLA) Regulations, 2015 and IRDAI Cir. No. IRDA/SUR/CIR/ MISC/ 118/ 08/2018, the SLA required communicating to IRDAI within 15 days about the branches of its operations. The SLA shared the list of employees of Interocean Insurance Surveyors and Loss Assessors. While going through it, it was noticed that total number of its 9 employees were posted at four branches located at Delhi, Kandla-Gujarat, Haldia-West Bengal and Chennai office.

The SLA was asked to share proof of intimation to the Authority, about the opening of these branches. In response, the SLA replied and shared copy of intimation of one branch located at Vishakhapatnam, Andhra Pradesh in addition to the registered corporate office with the Authority.

It is also worthwhile to mention that letterhead used for submission of survey reports to the insurers by the SLA, also confirms the details of all the above stated branches namely Delhi, Kandla-Gujarat, Haldia-West Bengal and Chennai office.

### **Summary of Reply to SCN:**

The different depts. of the group are working at different locations of Pan India level. The SLA conducts inspections on appointment basis by vessel owners and charterers as per their requirement to support agency deptt. and technical advises only and their employees posted at different locations other than Visakhapatnam do not carry out any survey work. SLA branches doing Survey work are only at Vizag and Delhi.

### **Decision:**

It is noticed from the letterhead of the SLA that they have branches at the other places apart from Vishakhapatnam. But in response to the SCN and during the hearing the SLA explained that Interocean Agency Vertical has branches all over India and the SLA has got branches only in Vishakhapatnam and Delhi. In regard to the mention of the names of different locations, in their letterhead, the SLA has stated that the branches referred to in their letterhead are those of the Interocean Agency Vertical



and not of SLA. In view of this submission/explanation of the SLA, the SLA is advised to ensure compliance to Regulation 4 of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 read with IRDAI Cir. No. IRDA/SUR/CIR/ MISC/ 118/ 08/2018 by intimating to the Authority regarding any change in the information already furnished to the Authority (including opening of new office by the SLA).

#### 8. Summary of Decisions:

Charge No.	Provision violated and charge	Decision
1	Regulation 16(5) of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015.  Acceptance of survey works in areas for which the Surveyor does not hold a license.	Penalty of 8 Lakh and direction
2	Regulation 13 (2) of Chapter IV of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015.  Delay in submission of survey reports.	Caution and Direction
3	Regulation 4 of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 and IRDAI Cir. No. IRDA/SUR/CIR/ MISC/ 118/ 08/2018  Failure to intimate the opening of branches.	Advisory

9. As directed under the respective charges, the penalty of Rs. Eight Lakh shall be remitted by the SLA within a period of 45 days from the date of receipt of this Order through NEFT/ RTGS (details for which will be communicated separately). An intimation of remittance may be sent to Mr. Prabhat Kumar Maiti, General Manager (Enforcement) at the Insurance Regulatory and Development Authority of India, Sy. No. 115/1; Financial District; Nanakramguda; Gachibowli; Hyderabad – 500032.

10. The SLA shall confirm compliance in respect of the above decisions, within 21 days from the date of receipt of this order. The order shall be placed in the upcoming Board meeting and the SLA shall submit a copy of the minutes of the discussion.



11. If the SLA feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Sd/-  
(T.L.Alamelu)  
Member (NL)

Place: Hyderabad  
Date: 9<sup>th</sup> June, 2021