



No. IRDAI/ENF/ORD/ONS/ 317/12/2021

**Final Order in the matter of
Angel Financial Advisors Pvt. Ltd.; Corporate Agent**

[Based on reply to the Show Cause Notice dated 27th January 2020 and submissions made during Hearing held on 27th November 2020 taken by Member (Life) through video conference.]

Background -:

The Insurance Regulatory and Development Authority of India (Authority) carried out an onsite inspection of M/s. Angel Financial Advisors Pvt. Ltd. (CA) during 5th to 7th March 2018. The Authority forwarded a copy of the Inspection Report to the CA seeking comments on 2nd May 2018 and the CA's comments were received vide their letter dated 31st May 2018.

Show-Cause Notice, Reply and Personal Hearing-:

2. Upon examining the submissions made by the CA, the Authority issued Show Cause Notice on 27th January 2020 which was responded to by the CA vide letter dated 4th March 2020. As requested therein a hearing was given to the CA on 27th November 2020 and the same was held through video conference. Shri Amogh Pandit, Principal Officer, Shri Suvajit Ray, Business Head, and Ms Shruti Bang, Company Secretary, were present in the hearing on behalf of the CA. On behalf of the Authority, Shri T.S. Naik, GM (Agency Distribution), Shri Prabhat Kumar Maiti GM (Enforcement), Shri B. Raghavan, DGM (Enforcement) were present during the hearing.

3. The submissions made by the CA in their written reply to the Show Cause Notice and those made during the course of the hearing and the documents submitted by the CA in reply to SCN and those submitted post hearing have been considered by the Authority and accordingly the decision on the charges is detailed below.

Charges, Submissions in reply thereof and Decision -:

4. Charge No. 1:

Violation of Para 3(ii)(a) of Code of Conduct under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015 which envisages that no corporate agent shall solicit or procure insurance business without holding a valid registration/certificate.

Proposal forms were carrying the name and stamp of M/s Angel Broking Pvt. Ltd which is a holding company of the Corporate Agent and engages in selling other



financial/capital market instruments to its customers. Hence the said proposals were not solicited by the authorized/specified persons of CA but the CA had received commission from the Insurers against that Insurance business.

5. Submission of CA:

The CA submitted that the insurance business is exclusively carried out by CA and by no other entity of the Group. Angel Broking Pvt. Ltd. (ABPL) has not solicited any insurance business.

With regard to the proposal forms bearing the stamp of ABPL as Corporate Agent the CA submitted that the stamp of ABPL was wrongly affixed on some of the proposal forms by a sub-staff and the same form was used to solicit business. Except for this technical / human error there is absolutely no other reason for affixing the stamp of ABPL. Further, upon observing that the stamp of ABPL is affixed on the forms, the name of ABPL was written on the proposal forms by the same sub-staff.

As soon as CA observed that the stamp of ABPL was wrongly affixed on the proposal forms, the CA has segregated stamps of its company & ABPL to avoid repetition of the error. This has also cured the possible error of writing the wrong name looking at the stamp affixed on the proposal form. The CA has sensitised its office staff to be careful and refrain from using the stamps of group companies or writing their names, failing which suitable actions may be initiated. It may be noted that all the policyholders who have bought policies, were logged-in through registered SPs of company and not ABPL.

During the personal hearing the CA submitted that there is only a thin demarcation at the premises between the location of CA and the Brokers and unless the stamp is affixed on any document, it will not be known to whom it relates. They further submitted that the policy in question was indeed solicited by Specified Person only but affixing of rubber stamp of another entity i.e. Angel Broking on the document is unintentional.

6. Decision:

A sample of 40 (Forty) proposals were examined during the inspection, out of which 21 proposals pertained to life insurance and 19 proposals of health insurance. Majority of these proposals were solicited by Angel Broking which is evident because the rubber stamp of "Angel Broking" is affixed on the proposals.

The submission of the CA that "the rubber stamp of ABPL was wrongly affixed on some of the proposal form by a sub-staff" is not tenable, as out of 21 life proposals examined, 16 are solicited from different locations across India which are located miles apart and it defies logic that at all these locations the sub-staff has "wrongly" affixed the rubber stamp. During the hearing, it was also shown to the CA that the signatures of the persons signing as SPs are differing at different proposals. The CA did not have suitable answer to such signature discrepancies. Out of the above 21 life proposals, in 15 cases the stamp of M/s. Angel Broking is clearly visible.



Out of 19 health proposals, 17 are solicited by unlicensed entity Angel Broking. In all these proposals, at the space meant for agent name and signature under the para 'agents declaration', it was mentioned as Angel Broking with no mention or signature of the SPs involved in the solicitation process. Also in the proposal forms, the advisor code & name was referred as Angel Broking and channel type was recognized as a "Partnership".

Hence it is clear that the solicitation has been done only by Angel Broking and unlicensed individuals engaged by it and hence the CA has violated Para 3(ii)(a) of Schedule III (Code of Conduct) under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

Therefore, by virtue of powers vested in it under Section 102(b) of the Insurance Act, 1938, Authority imposes on the CA, a penalty of an amount of Rs.27 Lakh (Rupees Twenty- seven Lakh) which has been arrived at on the basis that 17 health policies solicited in 12 different dates and 15 life policies solicited in 15 different dates (at the rate of Rs. One Lakh per day for 27 days), by Angel Broking and where there is no involvement of licensed Specified Persons.

The CA is further directed to ensure that only licensed individuals are allowed for solicitation of insurance business in order to ensure compliance of Para 3(ii)(a) of Schedule III (Code of Conduct) under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

7. Charge No 2

Violation of Clause 3(ii)(a) & 3(ii)(m) of Schedule III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulation 2015; which envisages that No corporate agent/ principal officer / specified person shall solicit or procure insurance business without holding a valid registration/certificate and engage untrained and unauthorized persons to bring in business.

While reviewing the policy documents on sample basis drawn from the Premium Register as submitted by the Corporate Agent, it is noticed that insurance policies were solicited by individuals other than Specified Persons mentioned in the list submitted by the CA. It is also observed that the Specified Persons had procured the insurance business from locations apart from their place of working. It is further observed that the Corporate Agent does not have its branches at these locations.

8. Submission of CA:

The CA submitted that the company exclusively solicits business through registered SPs and through no other person. On the matter of persons who were not SPs but solicited business for it, the CA submitted that at the time of inspection, they had submitted a list of SPs who were employed with it on the date of inspection. Most of the respective SPs had discontinued their employment with CA prior to commencement of inspection and therefore were not included in the list of SPs



associated with CA. However, these people were its SPs at the relevant time when they solicited business for it.

With reference to the observation of soliciting business from places where CA does not have branches it is submitted that the current address of the policy holder which may have changed due to their relocation or possibly its SPs would have travelled to that location. The CA submitted that it does not allow any person other than registered SPs to solicit business and the same can be confirmed from the proposal forms and the records of the pertinent Insurer. The CA submitted during the hearing that all their specified persons are qualified and trained. The CA submitted details of the SPs who solicited the policies identified under the charge.

9. Decision:

The submission made by the CA is taken on record. The CA is advised to ensure that the business is solicited by Registered SPs in compliance with Para 3(ii)(a) and (m) of Code of Conduct of Schedule III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

10. Charge No 3

Violation of Clause (1) (d) of Schedule II under Regulation 19(3) of the IRDAI (Registration of Corporate Agents) Regulations, 2015 which envisage that the Insurance cover must indemnify a corporate agent against dishonest or fraudulent acts or omissions by corporate agent's employees or former employees.

On examination of the Professional Indemnity policy, it was observed that it is titled as 'Professional Indemnity Policy for Insurance Brokers'. The Indemnity Clause and the General Conditions of the Policy is not in line with the prescribed regulation. Further, the terms and conditions of the said policy specifically exclude the risk of exposure to dishonest, fraudulent criminal or malicious act or omission which is not in compliance with the provisions of Clause (1) (d) of Schedule II under Regulation 19(3) of the IRDAI (Registration of Corporate Agents) Regulations, 2015.

11. Submission of CA:

The CA submitted that the policy was issued on May 27, 2016 and was valid till May 26, 2017 (both days inclusive).

While issuing the policy, the Insurer (The Oriental Insurance Company Ltd.) erroneously recorded that it was a "Professional Indemnity Policy for Insurance Broker". CA immediately highlighted the discrepancy to the Insurer and they issued endorsement duly recording that it was a policy for Corporate Agent.

Further with regards to exclusion of risk of exposure to dishonest, fraudulent, criminal or malicious act or omission, CA submitted that it has taken up with the Insurer through its Insurance Broker highlighting the requirements that it is mandatory to include the above acts in the cover and the same cannot be excluded.



The CA submitted during the hearing that an endorsement on the Professional Indemnity Policy has been provided by the Oriental Insurance and that has been submitted to the Authority one day prior to this hearing. The CA submitted that that the risks excluded earlier from the PI policy have been included through the said endorsement issued by the insurer.

12. Decision:

Taking note of the submissions made by the CA, the CA is advised to ensure that the Professional Indemnity policy taken by the CA is always in compliance to regulation 19 of IRDAI (Registration of Corporate Agents) Regulations, 2015 and pertinent regulatory requirements from time to time.

13. Charge No 4

Violation of Clause 2(a) of Schedule II under Regulation 19(3) of the IRDAI (Registration of Corporate Agents) Regulations, 2015 which envisages that indemnity cover shall be on a yearly basis for the entire period of registration

Although the Corporate Agent is required to have Professional Indemnity Policy since 1st April 2016, the Professional Indemnity policy period is 27th May to 26th May every year, the CA had taken PI Policy without any break but the Professional Indemnity Policy for the year 2016-17 is carrying retroactive date as 27th May 2017 instead of 27th May, 2016.

14. Submission of CA:

The copy of policy records Retroactive Date as May 27, 2016 and not May 27, 2017 as recorded in the SCN. In regard to the charge that retroactive date is changed, the CA submitted that they will submit the latest policies in support of their submission that the said date has not been changed.

Post hearing, the CA has submitted the PI policy containing endorsement by the insurer making retroactive date effective from the date of registration of the CA.

15. Decision:

Taking note of the submissions and documents submitted by the CA, the CA is advised to ensure continuous compliance of Regulation 19 of IRDAI (Registration of Corporate Agents) Regulations, 2015 and similar regulatory requirements notified from time to time.



16. Charge No 5

Violation of Para 16 of IRDA Circular No. 017/IRDA/Circular/CA Guidelines/2005 dated 14th July 2005 (Guidelines on Licensing of Corporate Agents) 2005 read with Clause 3(ii)(a) of Code of Conduct under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015 which envisage that where insurance is sold as an ancillary product along with a product being sold by any of the major shareholders or their associates, the agent shall ensure that shareholder or its associate does not compel the buyer of the other product to necessarily buy the insurance product through it.

It was noticed that clients opening Trading and Demat Account with Angel Broking Pvt Ltd vide which the customers are given wrong understanding that the profits generated from trading could be utilised towards insurance premium and there will be no need to pay separate insurance premiums.

In this way, one life policy no.006600989 under proposal no.49929729 was mis-sold and when the insured realised the fraud, he filed a case with CDRF, Bandra Mumbai which is pending. On going through the documents, it was revealed that this policy has been sourced by M/s Angel Broking Pvt Ltd and not by Angel Financial Advisors Pvt Ltd which is the corporate agent.

17. Submission of CA:

The CA submitted that the insurance business is exclusively carried out by their Company and not by any other Group entity. Angel Broking Pvt. Ltd. (ABPL) has not solicited any insurance business.

The case of Mr. Domnic D'souza is a one off case where the insured has levied false allegations upon the CA and the same is substantiated from the fact that of the more than 31000 policies only one such complaint has been raised so far. Since the matter is sub-judice, it cannot be inferred that the policy was wrongfully sold to the Complainant. With respect to observation regarding Consumer Dispute Redressal Forum Case, the Complainant has himself prayed to remove the name of Corporate Agency from the given Case which proved beyond doubt that the complaint was grossly false, failing which the complainant himself would not have requested CDRF to drop its name from the complaint. The Consumer Dispute Redressal Forum at Bandra, Mumbai accepted the prayer of the Complainant and passed the Order to exclude the name of company from the complaint.

The CA submitted during the hearing that due to negligence which they accept, the rubber stamp of Angel Broking was affixed on the proposal.

18. Decision:

The CA's submission that the case under the observation is a one off case is not tenable as similar cases of solicitation by Angel Broking is covered under Charge No.1. The CA is cautioned for following sales practice of engaging the group company Angel



Brokering. Considering this particular case is sub-judice; charge is not pressed. However, the CA is advised to ensure compliance to Para 16 of IRDA Circular No. 017/IRDA/Circular/CA Guidelines/2005 dated 14th July 2005 (Guidelines on Licensing of Corporate Agents) 2005 read with Para 3(ii)(a) of Code of Conduct under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.

19. Summary of Decisions:

The following is the summary of decisions in this order:

Brief Title of charge and the provisions not complied with	Decision
Charge No. 1 on Solicitation by group company Angel Broking; not licensed for solicitation Provision: Para 3(ii)(a) of Code of Conduct under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015	Penalty of 27 Lakh & Direction
Charge No. 2 on Solicitation by other than SP Provision: Clause 3(ii)(a) & 3(ii)(m) of Schedule III under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulation 2015	Advisory
Charge No. 3: Indemnity coverage in PI policy Provision: Clause (1) (d) of Schedule II under Regulation 19(3) of the IRDAI (Registration of Corporate Agents) Regulations, 2015	Advisory
Charge No. 4 on retroactive date of PI policy Provision: Clause 2(a) of Schedule II under Regulation 19 of IRDAI (Registration of Corporate Agents) Regulations, 2015.	Advisory
Charge No. 5 on issue involving complaint on mis-selling Provision: Para 16 of IRDA Circular No. 017/IRDA/Circular/CA Guidelines/2005 dated 14 th July 2005 (Guidelines on Licensing of Corporate Agents) 2005 to be read with Provisions of Para 3(ii)(a) of Code of Conduct under Regulation 26 of IRDAI (Registration of Corporate Agents) Regulations, 2015.	Caution & Advisory

20. As directed under the respective charges, the penalty of Rs 27 Lakh (Rupees Twenty- Seven Lakh only) shall be remitted by the CA 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.



21. The CA shall confirm compliance in respect of all the directions referred to in paras 4 to 18 of this Order, within 45 days from the date of receipt of this order. The Order shall be placed before the Audit committee of the CA and also in the next immediate Board meeting and the CA shall submit to the Authority a copy of the minutes of the discussion.

22. If the CA 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.

Place: Hyderabad
Date: 20th December, 2021

Sd/-
(K. Ganesh)
Member (Life)