



Ref: IRDA/Enf/Ord/Ons/ 173 /06/2021

Final order in the matter of

M/s D2C insurance Broking Pvt Ltd

**[Based on the reply of M/s D2C insurance Broking Pvt Ltd (the Broker) dated 10/11/2019, to the Show-Cause Notice dated 18/10/2019 and submissions made during Personal Hearing on 04th February 2020 at 03:00 PM, taken by Member (Non-life), IRDAI at the office of Insurance Regulatory and Development Authority of India, 5<sup>th</sup> Floor, IRDAI office, Financial District, Nanakram Guda, Hyderabad].**

**Background:**

1. An on-site inspection of the Broker was conducted by the Insurance Regulatory and Development Authority (hereinafter referred to as "Authority" during the period from 22/03/2017 to 24/03/2017. The Inspection findings were communicated to the Broker for their comments on 30/11/2017 and the reply of the Broker was received by its letter dated 28/12/2017. A show-cause notice was issued to the Broker on 18/10/2019 to which the Broker submitted its reply by its letter dated 10/11/2019. In its reply, the Broker had requested for the personal hearing. The personal hearing of the Broker was conducted on 04/02/2020.

2. On behalf of the Broker, the personal hearing was attended by Mr. Indraneel Chatterjee, Principal Officer; Ms Sonali Athalye, CFO and Mr. Harinder Pal Singh Chugh, Chief Compliance Officer and Company Secretary. From the Authority, Mr. Randeep Singh, CGM(Intermediary); Mr. P.K. Maiti, GM (Enforcement) and Mr. Vikas Jain, AGM (Enforcement), were also present.

3. The submissions made by the Broker in their written reply to the Show Cause Notice, those made during the course of the Personal hearing and the documents submitted by the Broker in evidence of their submissions have been considered by the Authority and accordingly the decisions on the charges are detailed below.

**4. Charge 1:**

i. The Broker has been using the brand name "renewbuy" for soliciting insurance online without visibly and clearly displaying Broker's name on the web site.

Thus the Broker has violated Para 1 of Schedule VIII under Regulation 22 of IRDA (Insurance Brokers Regulations), 2013 which clearly stipulates that the website developed by the Insurance Broker shall carry the name of the insurance Broker as licensed by the authority and usage of any other name or linkage to another web site is prohibited.

ii. The Broker engaged the users, registered over the mobile application, as partners for solicitation & procurement of insurance business and paid remuneration or reward for soliciting & procuring insurance business in India through its holding company namely M/s D2C Consulting Pvt Ltd., initially as a flat fee per lead transmitted and later as a percentage of premium procured by them. Thus the Broker with the help of its Holding company M/s D2C Consulting Pvt Ltd appointed canvassers/agents for the Broker for soliciting insurance business. Such an action of the Broker is a clear violation of Clause 3(b) of Schedule VIA under Regulation 28 of the Brokers Regulations, 2013 which mandates that "Every insurance



*Broker shall. (b) Confirm that he does not employ agents or canvassers to bring in business". Not only that, it is tantamount to using unlicensed entities to whom the commission was being shared as a certain percentage of the premium.*

#### **5. Submission by the Broker:**

i. The Broker submitted that the name of the Broker, license number, the name of the Principal Officer and the license certificate have been made available in the "About Us" section of the web site. They further submitted that they had informed the Authority about the domain name of their web site as "renewbuy.com" vide their letter dated 23/12/2014.

ii. The Broker submitted that the only assistance received by them from their promoter company, M/s D2C consulting was with regard to statistical information including data and lead generation as a prospective effort initially so that M/S D2C Insurance Broking Pvt. Limited is able to save its valued capital resources till the reasonable base of customers is developed. Their broking function was not performed by their promoter company. The Broker also submitted that their sales process involved their partners uploading previous policies of customers to their mobile application. The Broker submitted that they are not inviting public to become agent and they have not used the canvassers. They further submitted that the partner invitation to submit motor insurance documents of customers was on a different mobile app where a lead collection activity was done.

During the personal hearing, the Broker had accepted that they had engaged M/s D2C and other agencies like Biz Connect, Bersavi India Private Ltd for lead generation and making payment to these agencies as a percentage of premiums.

#### **6. Decision:**

i. The Broker was using a website carrying the name "renewbuy" for soliciting insurance business without visibly and clearly displaying Broker's name on the said website. This is a clear violation of Clause 1 of Schedule VIII under Regulation 22 of IRDA (Insurance Brokers) Regulations) 2013. The Broker has submitted that they had informed the Authority about the domain name of their web site as "renewbuy.com" which is different from the name of the insurance Broker as licensed by the Authority; however, they could not produce any communication of the Authority by which the Authority exempted them from complying with the regulatory provision. The Broker further submitted that the details viz. "the name of the Broker, license number, the name of the Principal Officer and the license certificate have been made available in the "About Us" section of the "web site"; however same is not visible from the home page of the website.

The above indicates that the Broker has knowingly failed to comply with the regulatory requirement and the Broker is warned for the same. Further, the Broker is informed that any violation of similar nature in future will be viewed seriously.

ii. From the submission of the Broker and documentary evidences available, it is evident that the Broker either engaged their promoter company M/S D2C Consulting Pvt Ltd. who used their own employee for canvassing insurance for the Broker or engaged other entities e.g. BizConnect, Bersavi India Pvt. Ltd. etc., (through their promoter company) who employed canvassers/agents using a mobile app viz.



renewbuy Partners. Neither the employees of their promoter company nor the so called renewbuy Partners are licensed and qualified to solicit insurance business on behalf of the Broker. Hence the Broker employed agents or canvassers to bring in business in collusion with the promoter company M/S D2C Consulting Pvt Ltd. Further, these canvassers/agents were paid remuneration either in the form of a fixed fee per lead or as a percentage of premium - which implies that they were engaged for bringing business for the Broker.

During the personal hearing also, the Broker acknowledged that it had engaged various unlicensed individuals and entities through M/S D2C Consulting Pvt Ltd. for bringing business and soliciting insurance business. The invoices generated by these entities clearly show that these unlicensed entities were appointing agents for the Broker who were soliciting business in the name of referral and lead generation and they were being paid remuneration as commission which is a percentage of the premium procured and the number of agents appointed for the Broker. This was also evident from the list of employees engaged in the mobile application renewbuy Partners where many employees of D2C consulting Pvt Ltd. were engaged for the solicitation of insurance business for the Broker.

Thus, the Broker violated Para 3(b) of Schedule VI-A under Regulation 28 of IRDA (Insurance Brokers) Regulations, 2013 which mandates that *“Every insurance Broker shall confirm that he doesn’t employ agents or canvassers to bring in business.”*

From the evidences available, it is clear that the Broker is violating the said regulatory provision since the year 2015-16 and continued till the date of Inspection i.e. for more than one hundred (100) days. Therefore, the Authority by virtue of powers vested in it under Section 102(b) of Insurance Act 1938, levies a penalty of Rs. 1,00,00, 000 (Rupees One Crore only) on the Insurance Broker, for the violation of code of conduct specified in Clause 3(b) of Schedule VI-A under Regulation 28 of IRDA (Insurance Brokers) Regulations, 2013.

#### **7. Charge 2:**

The Broker has entered into an agreement with the Promoter Company - D2C Consulting Services Pvt. Ltd for using its brand, consulting services related to Marketing, HR, Recruitment and Public relations and also IT related consulting services. At the time of renewal of license, it was observed that the contents of the agreement were not in conformity with regulatory provisions and the Authority advised the Broker on 17/11/2017, to terminate the agreement and confirm compliance. However, from the inspection observation and response of the Broker, it is clear that the Broker has not complied with the Authority’s direction dated 17-11-17 warranting action under Section 102(b) of the Insurance Act, 1938.

#### **8. Submission by the Broker:**

The Broker submitted that they had not permitted M/S D2C Consulting Services Pvt Ltd to function or perform any activity of M/S D2C Insurance Broking Pvt. Ltd.as both are run by separate management and have independent structure and systems. The only assistance received by them from their promoter company, i.e. M/S D2C Consulting was with regard to statistical information including data and basics of lead generation initially so that M/S D2C Insurance Broking Pvt Ltd is able to save its valued capital resources till the time a reasonable base of customers was developed. They submitted that this issue was raised by the Broking



Department at the time of renewal of their license and they did abide by Authority's directions and discontinued even this assistance being received by the Broker from D2C Consulting.

They had informed the Authority by their letter dated 20/11/2017 that they have started the termination process and by their letter dated 12/12/2017 they confirmed the completion of termination process. They also submitted the copies of the above letters.

#### **9. Decision:**

**The submissions of the Broker that it had completely discontinued the agreements with D2C Consulting Services Pvt Ltd as directed by the Authority, are taken note of. The broker is cautioned to follow the Regulation and Directions given by the Authority.**

#### **10. Charge 3:**

It was observed that during the period from 01/04/2016 to 31/07/2016 the Broker was having only one qualified person in its employment in violation of the provisions of Regulation 8(2)(iii) of IRDA (Insurance Brokers) Regulations, 2013; which requires that the Broker should have minimum of two qualified persons in its employment.

#### **11. Submission by the Broker:**

The Broker submitted that the list of employees as furnished by their HR team to the inspection team was the list of employees who were being paid a salary at that point in time. The second qualified person, who was an employee of the company since inception had to go on a long leave due to some personal reasons. Although he was a part of the company for that period but he was not paid the salary and he was not physically available but was available on call and was actively guiding the company.

They have further submitted that after taking cognizance of the fact that he may not be available for a considerable period, they did take necessary action to get another person on board and also got him trained and licensed in that period and now they have 11 employees who are qualified for soliciting the insurance business.

#### **12. Decision:**

**The submission of the Broker that the second qualified person was on a long leave is not tenable because the list of employees provided by the Broker itself showed the date of separation from the employment. This does not mean going on leave and hence the said employee was not in employment during the period from 01/04/2016 to 31/07/2016. Regulation 8(2) (iii) of IRDA (Insurance Brokers) Regulations, 2013 requires that Broker shall have in its employment minimum of two persons who have the necessary qualifications and the Broker could not comply with the said regulation by having only one qualified person during the period from 01/04/2016 to 31/07/2016. In view of the Broker's submission that they were not having minimum two Broker qualified Persons only for the said period of four months, the broker is warned for the non-compliance of Regulation 8(2)(c) of IRDAI (Insurance Brokers) Regulations, 2018 and the Broker shall strictly abide by the same.**

**Summary of Decisions:**

13. The following is the summary of decisions in this order:

Charge No.	Brief Title of charge and the provisions violated	Decision
1(i)	Charge: Having the web site/ application with a different name. Provision: Para 1 of Schedule VIII under Regulation 22 of IRDA (Insurance Brokers Regulations), 2013.	Warning
1 (ii)	Charge: Appointing agents and canvassers to bring in the insurance business. Provision: Para 3(b) of Schedule VI-A under Regulation 28 of IRDA (Insurance Brokers) Regulations, 2013	Penalty of Rs. 1 Crore & Direction
2	Charge: Not complying with the direction of the authority. Provision: Section 102(b) of Insurance Act 1938.	Caution
3	Charge: Not having two qualified persons to solicit insurance business. Provision: Regulation 8(2)(iii) of IRDA (Insurance Brokers) regulations, 2013	Warning

**Conclusion:**

14. As directed under the respective charge, the penalty of Rs. 1,00,00,000/- (Rupees One crore only) shall be remitted by the Insurance Broker 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.

15. The Broker 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 Broker shall submit a copy of the minutes of the discussion.

16. If the Broker 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/

Date: 29<sup>th</sup> June, 2021  
Place: Hyderabad.

(T.L. Alamelu)  
Member (Non-Life)