



Ref: IRDA/TPA/ORD/MISC/ 205/11/2015

FINAL ORDER

In the matter of M/s East West Assist TPA Pvt. Ltd.

Based on the reply to Show Cause Notice dated 07-04-2015 and submissions made during Personal Hearing Chaired by Ms. Pournima Gupte, Member (Actuary), IRDAI, on 26-06-2015 at 1500 hrs. at the office of Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad.

Show Cause Notice dated 07th April, 2015, (SCN) on observed deficiencies in the functioning of licensed TPA namely; East West Assist TPA Pvt. Ltd. (East West TPA / the TPA) was issued and in deference to the entity's request a personal hearing was accorded on 26th June, 2015. The TPA company represented by Mr. Parikshit Mahajan, Chairman & Managing Director, Mr. Neeraj Batra, Chief Executive Officer and Mr. K S Nair, Chief Administrative Officer, of East West TPA. On behalf of the Authority Mrs. Yegna Priya Bharath, Joint Director (Health), Mr. DVS Ramesh, Deputy Director (Health) and Mr. Bhaskar Khadakhavi, Assistant Director (Health – TPA), were present in the personal hearing.

The submissions made by the TPA in their written replies to the Show Cause Notice issued by the Authority and also those made during the course of personal hearing were taken into account.

The findings on explanation offered by East West TPA to the issues raised in the Show Cause Notice and the decisions are as follows;

1. **Charge no. 1:**

Dr. NPS Chawla is Chariman and Director of East West TPA. It was noted from records that Dr. Narinder Pal Singh Chawla is holding Director position in other companies (namely Mohta Housing Developers Pvt. Ltd, Chawla Farms And Investments Pvt. Ltd., East West Medical Center Pvt. Ltd., Connect India Pvt. Ltd. , Ramesh Restaurant Associates Pvt. Ltd.). The said facts were not disclosed in Form TPA 4 (1) of TPA Company Annual Report by East West TPA for FY 2012-13 **Violation** of Reg. 24 (2) of IRDA (TPA – Health Regulation) 2001.

Reply of East West TPA:

The TPA submitted that the error was unintentional, with no intent to mislead the Authority and requested the Authority to consider the submissions.

2. **Charge no. 2:**

In the matter of other directorships of Dr. NPS Chawala, it was submitted by East West TPA that "Mohta Housing Developers Pvt. Ltd., Connect India Pvt Ltd and Ramesh Restaurants Associates Pvt Ltd. are in Inactive State. However as per RoC records, it is observed that the status of two companies i.e. MHDPL and RRAPL is Active as on 10-12-2014. Thus, it is evident that the TPA Company had submitted wrong information to the Authority.

It was evident that East West TPA had failed to submit true and correct return with the Authority for two financial years. **Violation** of Reg. 21 (1) to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.



Reply of East West TPA:

The TPA submitted that the word "Inactive" was a wrong Choice of word used, instead of "No business activity" And that this error was unintentional and grammatical. The TPA also submitted that there was no business activity in the said companies i.e. MHDPL RRAPL.

Decision on charge No. 1 & 2:

On considering the submissions made by the TPA it is clarified that the TPA shall maintain the best Governance norms and shall inform the Authority all the matters relating to its activities. Therefore, the TPA is warned for not keeping the Authority informed on the status of information referred under the charges referred herein and the TPA is also advised to strictly comply with all Regulatory requirements in future.

3. Charge No. 3 (a):

Mr. Parikshit Mahajan, CEO & Director of East West TPA is also holding same position in foreign Company named Maxcare Middle East TPA LLC, Dubai (UAE). The said fact was not disclosed by the TPA, in their undertaking dated 23-05-2014 filed with the Authority.

This wrong / misleading undertaking in the matter of engagement by its CEO and Director in insurance or insurance related activity is not a professional manner of dealing with regulatory compliance issues. **Violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.**

Reply of East West TPA:

In response the TPA submitted that this is an error of interpretation and that there was no intent of misleading the Authority.

Decision on Charge No. 3 (a):

The CEO of TPA who is engaged with another company, which is associated in Health Insurance Claims Administration in Dubai, giving a wrong and misleading undertaking cannot be accepted and the Authority considers the action of the TPA, in submitting the wrong undertaking, as a serious Governance lapse. In exercise of powers vested under Section 102 of the Insurance Act, 1938, imposes a penalty of Rs. 1,00,000/- (Rs. One lakh only) on M/s. East West Assist TPA Pvt. Ltd.

4. Charge No. 3 (b):

As per submissions of the TPA, it was observed that East West Rescue Pvt. Ltd. (EWR) a group / associate Company of East West TPA, had entered into MoU dated 01-01-2012 with SOS International, Denmark (SOS A/S).

East West TPA is not a party to the said MoU dated 01-01-2012. However, East West TPA had spent Rs. 12.99 Lakhs for and on behalf of said SOS A/S. One of the main purposes of this Joint Venture between SOS A/S and EWR was to do business with Indian insurance companies.

Mr. Parikshit Mahajan, CEO & Director of East West TPA was holding position of Director and Country Head, in the proposed Company SOS East West International Pvt. Ltd.

The said fact was not disclosed by East West TPA, in their undertaking dated 23-05-2014 to the Authority.



This wrong / misleading declaration in the matter of engagement in insurance or insurance related activity is not a professional manner of dealing with regulatory compliance issues and in violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

In response the TPA submitted that there was no JV entity or an employment contract or any remuneration and the same was only at a conceptual stage and that it was owing to interpretation error the same is not disclosed to the Authority.

Decision on Charge No. 3 (b):

The submissions of the TPA that there is no JV with the entity or any employment contract or any remuneration from the entity is considered. However, the TPA is warned for allowing Mr Parikshit Mahajan as the Director and Country Head of the proposed company and is advised to strictly comply with all Regulatory requirements in future.

5. Charge No. 4 (a):

As per submissions of East West TPA, it was observed that East West Rescue Pvt. Ltd. (EWR) a group / associate Company of East West TPA, had entered into MoU dated 01-01-2012 with SOS International, Denmark (SOS A/S).

East West TPA is not a party to said MoU dated 01-01-2012. However, East West TPA had spent Rs. 12.99 Lakhs for and on behalf of said SOS A/S. The one of the main purpose of this Joint Venture between SOS A/S and EWR was to do business with Indian insurance companies.

Dr. NPS Chawla, Chairman & Director of East West TPA was holding position of Director, in proposed Company SOS East West International Pvt. Ltd.

The said fact was not disclosed by East West TPA, in their undertaking dated 23-05-2014 to the Authority.

This wrong / misleading declaration in the matter of engagement in insurance or insurance related activity is not a professional manner of dealing with regulatory compliance issues. Violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

The TPA reiterated the submissions made to Charge (3) (b) and further added that owing to absence of its knowledge as to whether the activity of Mr Chawla be construed as insurance related activity, the same was not mentioned in the undertaking.

Decision on Charge No. 4 (a):

Considering the submissions made, the TPA is directed to ensure transparency in all its filings before Authority hereafter.

6. Charge No. 4 (b):

East West TPA vide letter dated 10-01-2015 had submitted that Mrs. Elizabeth Chawla is wife of Dr. NPS Chawala. It was further noted that Dr. NPS Chawala is Chariman and Founder of East West Group. As per records Ms. Elizabeth Chawla is holding directorship of following



companies which as per its name are engaged in insurance and insurance related activities namely EAST WEST INSURANCE BROKERS PRIVATE LIMITED (EWIBPL) and EAST WEST INSURANCE AGENCIES PRIVATE LIMITED (EWIAPL)

As per RoC records, registered office address of above mentioned two companies is - 37, Prithvi Raj Road, New Delhi – 110011, the same as the TPA Company registered office address.

However, the said Direct and / or Indirect engagement of Dr. NPS Chawala Chairman & Founder of East West Group and East West TPA was not disclosed by the East West TPA in their undertaking dated 23-05-2014 **Violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.**

Reply of East West TPA:

It was submitted by the TPA that the entities; EWIAPL and EWIBPL are being duly wound up and also submitted that an arms length distance is duly maintained between the entities. With respect to EWIBPL, it was submitted that Ms. Elizabeth Chawla has resigned from Directorship under Sec. 168 of Co. Act.

Decision on Charge No. 4 (b):

Considering the submissions made by the TPA, it is clarified that allowing shell companies to continue sends a wrong message to the industry. In view of the violations referred herein the TPA is warned and also is advised to strictly comply with all Regulatory requirements in future.

7. Charge No. 5:

As per financials for the year 2012-13, there were receivables of Rs. 12.99 Lakhs to East West TPA from M/s. SOS International, Denmark. The Authority vide letter dated 16/17-12-2014 had called for related information / documents in this regard in response to which East West TPA vide its letter dated 18-12-2014 had submitted the information.

From the information provided it is observed that there is a mention in one of the documents that ***“EWA (East West TPA) manages claims and claims handling services as well as maintaining the database of Indian Provider.”***

Thus, it was noted that East West TPA had intention and or offer of intention for sharing of database of their Company- **Violation of Reg. 22 (2) of IRDA (TPA – Health Services) Regulation, 2001.**

Reply of East West TPA:

The TPA submitted that no such activity of sharing of database of Indian network providers was committed and that it was only a conceptual document.

Decision on Charge No. 5:

On the basis of the submission made by the TPA, no charges are pressed. However, the TPA is directed to ensure compliance of the Reg. 22 (2) of IRDA (TPA – Health Services) Regulation, 2001.



8. **Charge No. 6:**

East West TPA vide undertaking dated 23-05-2014 and revised undertaking dated 18-12-2014 had furnished that;

"Our Company East West Assist TPA Pvt. Ltd. (IRDA License no. 018) is not engaged in any other business apart from TPA activity as defined in your Company regulations".

However, as per charge nos. 5 of Authority SCN dated 07-04-15 it is observed that East West TPA is engaged in other business apart from TPA activity as defined in the TPA regulations. Thus, though engaged in other business apart from TPA activity, East West TPA had submitted wrong / misleading undertaking with the Authority, which is not a professional manner of dealing with regulatory compliance issues.

This is in **Violation of** Reg. 3 (2) of IRDA (TPA – Health Services) Regulation, 2001.

East West TPA had given wrong / misleading undertaking with the Authority in the matter of engagement in other business part from TPA activity. This is not a professional manner of dealing with regulatory compliance issues - **Violation of** Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

The TPA submitted that it was only a conceptual document and no further JV took place.

Decision on Charge No. 6:

This Charge is in continuation of the preceding Charge (no.5). In light of the decision stated under Charge No. 5 no charges are pressed here again.

9. **Charge No. 7:**

It was noted from the submissions of the TPA Company that in FY year 2012-13, they had receivables of Rs. 12.99 Lakhs from M/s. SOS International. As per foot note submitted by the TPA Company, said receivables are towards reimbursement of travel and hotel expenses for training and conference visits.

However, from the copies of bills submitted by the TPA Company it was noted that 62% (approx) are spent on business promotion gifts and mementos.

It is evident from the above that East West TPA had submitted wrong, misleading information in the matter of expenses made on behalf of SOS A/S by East West TPA. This is not a professional manner of dealing with regulatory compliance issues - **Violation of** Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

On receivables, the TPA submitted they are in the nature of reimbursement of expenses and also offered that it can refund the expenses pertaining to events / launch / mementos to EWR.

Decision on Charge No. 7:

On the basis of the submission made by the TPA, no charges are pressed. However, the TPA is warned for engaging its resources to the cause of MoU to which the TPA itself is not a signatory. The TPA is advised to refund the money to the concerned entity within 30 days of the order and confirm the compliance.



10. Charge No. 8:

As per financials of East West TPA for the years 2012-13 and 2013-14, it was noted that there were related party transactions with EWMCPL. The Authority had requested the TPA Company to submit copies of invoice / bills as raised by hospital(s).

Though requested for by the Authority, East West TPA had not submitted the actual invoices amounting to Rs. 1.35 Lakhs, which were raised by EWMCPL, but submitted the different invoices which were amended in the year 2014-15 - **Violation of Reg. 21 (1)** to be read with Reg. 25 (3) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

The TPA submitted that the entities (EWMCPL and EWATPL) have written off the said amount erroneously appearing in FY 2014-15. On the basis of materiality and the quantum of the amount the TPA requested the Authority to pardon the same. It also submitted that further intercompany transactions have been discontinued.

Decision on Charge No. 8:

On the basis of the submission made by the TPA, no charges are pressed. However, East West TPA is directed to maintain all its records in a professional manner and in accordance to the applicable accounting standards.

11. Charge No. 9:

East West TPA on 14-09-2004 entered in to MoU with its group / associate Company East West Medical Centre Pvt. Ltd (EWMCPL). As per said MoU, EWMCPL is a Hospital and East West TPA is supposed to provide health insurance services. It is observed that one of the employees of EWMCPL has undergone the treatment to which TPA provided the health services. In this regard, potential conflict of interest is observed -

Violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

Reply of East West TPA:

The TPA submitted that this is only one case which was attended due to medical emergency (Acute MI) medical requirements and in order to remove the question of conflict of interest, now EWMPCPL is not on its network panel.

Decision on Charge No. 9:

On the basis of the submission made by the TPA, no charges are pressed.

The penalty amount of Rs 1,00,000/- (Rupees One Lakh only) levied under Charge No. 3 of this order, shall be remitted through NEFT/ RTGS (details for which will be communicated separately) within a period of 45 days from the date of receipt of this Order. An intimation of remittance shall be sent to Ms. Yegna Priya Bharath, Joint Director (Health) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavanam, Basheerbagh, Hyderabad 500 004 or by e-mail health@irda.gov.in.

Place : Hyderabad

Date : 17-11-2015

Pournima Gupte
Member (Actuary)