



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

Ref: IRDA /ENF /ORD /ONS/032 / 01/2015

February 16, 2015

**Order in the matter of
M/s Sushil Insurance Brokers Pvt. Ltd**

The Insurance Regulatory and Development Authority of India (hereinafter, referred to as 'the Authority') carried out an onsite inspection of M/s Sushil Insurance Brokers Pvt. Ltd. (herein after referred to as "the Broker" or "Company"), Direct Broker with License Code No. DB 452/09, Certificate No. 427, having registered office at 28, Bhupen Chambers, Dalal Street, Opp. BSE building, Mumbai 400001, during 5th -6th November, 2013. A copy of the report was forwarded to the Broker on 6th December, 2013 seeking their comments on the issues raised in the Inspection report.

On review of various submissions of the Insurance Broker vide letter dated December 23, 2013, the Authority issued a Show Cause Notice on 5th August, 2014 which was responded to by the Broker vide their letter dated 27th August, 2014.

The submissions made by the insurance broker in their written reply to Show Cause Notice were taken into account. The explanation offered by the insurance broker to various charges raised as regards violation/non-compliance with the IRDA (Insurance Brokers) Regulations, 2002 (the Regulations 2002) in the Show Cause Notice and the decisions thereon are as follows:

Charge 1:

Inspection Observation 2(b):

The Broker does not use any software for their operations as presented by them to the Authority at the time of their application for grant of license.

Concern/Violation: This is a violation of Regulation 9 (2) (B) which states the requirement of necessary infrastructure.

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Submissions made by the insurance broker: The broker submitted that they are currently using productivity tools and software's such as MS Excel, MS Word and MS outlook. The staff is being trained to use the same effectively. These software enable the staff to set schedules for reminders, maintain the required records and communicate with customers and generate various MIS reports as required for the various business operations. The broker mentioned that they are very much comfortable with the current tools which are being used.

IRDA's Directions:

Regulation 9 (2) (B) of IRDA (Insurance Brokers) Regulations 2002 requires all brokers to have necessary infrastructure to effectively discharge their activities. M/s Sushil Insurance Brokers Pvt. Ltd, are hereby directed to ensure compliance with the provisions of the said Regulations and install appropriate software to effectively discharge insurance business activities. Non-compliance of the said stipulations and directions issued herewith shall be viewed seriously.

Charge 2:

Inspection Observation 2(d):

The advertisements relating to recruitment of Sales Executive/Relationship Managers (Insurance) revealed that these were issued by M/s. Sushil Finance, requiring the people for sale of insurance in the capacity of Relationship Managers. This indicates that the Broking Company is engaging the services of employees other than qualified persons in solicitation of insurance business.

Concern/Violation: The Broking Company, therefore, did not comply with the provisions of Regulations 9(2) and 9(3) of IRDA (Insurance Brokers) Regulations, 2002.

Submissions made by the insurance broker: It may be noted that there is no such company as M/S Sushil Finance, the image appearing in the advertisement is the logo used by SIBPL and the various Group companies belonging to the promoters of SIBPL. It is a BRAND image owned by the Promoters.

IRDA's Directions:

Since this non-compliance is observed for the first time, the broker is warned to strictly ensure compliance with the stipulations of Regulations 9(2) and 9(3) and avoid the use of

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their promoter's (Sushil Finance's) logo in the documents that are related to Insurance business directly or indirectly. Any non-compliance of the stipulations in future shall be viewed seriously by the Authority and shall attract penal action.

Charge 3:

Inspection Observation 3:

The Broker has failed to remit the annual fee for the Financial Years 2011-12 and 2012-13 within the specified time limit.

Concern/Violation: Under schedule II of Regulation 18, every insurance broker has to remit the annual license fee before the expiry of 15 days from the finalization of annual audited accounts of the broker or till the 30th September, whichever is earlier.

Submissions made by the insurance broker: The said payment of Annual fees for the financial year 2011-2012 was inadvertently missed out for payment as other payment of similar amount was paid at the time of application. However, the annual fees for financial year 2011-12 for Rs. 25000/- is sent to the Authority vide letter dated 19/11/2013 through DD in favour of IRDA.

Further they submitted that their business commenced around February 2012 and the company was in a learning stage during the 1st year of business operations. The payment of annual fees for 2012-2013 has been inadvertently delayed on this account. In view of their submissions the broker requested to condone this delay.

IRDA's Directions:

The Authority hereby imposes a penalty of Rs. 5000/- (Rs. 2500/- for each financial year i.e 2011-12 and 2012-13) on M/s Sushil Insurance Brokers Pvt. Ltd., being 10 percent of annual fees for the financial years 2011-12 and 2012-13. The Broker is further cautioned that any repetition of the failure to make payment of annual fee on time shall attract stringent action.

Charge 4:

Inspection Observation 4(a):

The Broker is not obtaining the written mandate from client and is developing terms on the basis of the information provided by the client.

Concern/Violation: This is in violation of the provisions of clause 2(h) of code of conduct prescribed for the Insurance Brokers under Regulation 21 of IRDA (Insurance Brokers) Regulations, 2002.

Submissions made by the insurance broker: The broker has submitted a set of documents maintained as client files including mandate letters besides some Client Files/Dockets for ready reference related to FY 2012-2013 and FY 2013-2014 from Life as well as NON-Life. Further, broker has submitted that post inspection; they have implemented the practice of obtaining the written mandate from clients in all the cases, which may be presented to the Authority as and when required.

IRDA'S Direction:

It is observed from the submissions of the Broker that they have started collecting written mandates from their clients. The Broker is advised that they must always collect mandate from all the client before approaching any insurer.

Charge 5:

Inspection Observation 4(b):

The Broker is issuing advertisements in the form of printed brochures. It is observed that the said advertisements were filed with the Authority and after examining the same, the Authority had asked the Broker to re-file the advertisements vide its letter dated 21.12.2012 and 14.03.2013. But the Broker had not re-filed the advertisements but continued to use the said advertisements. The failure to re-file the advertisements is violation of Authority's directions.

Concern/Violation: This is a violation Para 10 of regulation 21 of code of conduct in matters relating to advertising.

Submissions made by the insurance broker: The broker submitted that there is no such company as M/S Sushil Finance; the image appearing in the brochures, one pagers, pamphlets represents the logo used by SIBPL and the various group companies belonging to the promoters of SIBPL. The broker mentioned that the logo is a BRAND image owned by their promoters.

IRDA's Directions:

Since by their action, the broker has failed to comply with provisions of Clause 10 of code of conduct under Regulation 21, the Broker is warned to ensure compliance with the provisions of Clause 10 of code of conduct under Regulation 21 and avoid the use of their (Sushil Finance's) logo in the documents that relate to Insurance business directly or indirectly. Any

non-compliance of the stipulations in future shall be viewed seriously and attract penal action.

Charge 6:

Inspection Observation 5:

As per requirements of Regulation 25(4) of IRDA (Insurance Brokers) Regulations, 2002, all the books of account, statements, document, etc., shall be maintained at the head office of the insurance broker or such other branch office as may be designated by them and notified to the Authority, and shall be made available for inspection on all working days to such officers of the Authority, authorized in this behalf by the Authority. It was found that the books of accounts of the Broking Company were maintained on a common accounting software platform used by M/s. Sushil Finance Ltd (a company where the shareholders / directors of the Broking Company are shareholders and Directors) at the office of M/s. Sushil Finance at Rohit Chambers, Fort, Mumbai. The inspection team visited the said office for examination of accounts of the Broking Company.

Concern/Violation: The Broking Company did not adhere to the provisions of Regulation 25 (4) of the Regulations relating to maintenance of books, accounts, records etc.

Submissions made by the insurance broker: There is no such company as M/s. Sushil Finance Ltd. The books of accounts are maintained on standard accounting software (like Tally) which offers a facility to perform accounting of multiple companies separately. Hence, the said software is used for SIBPL as a separate company. The accounting software is installed on a server located in the data centre of the Company. The software enables access from any of the company's offices. The physical records like bills, vouchers, etc. were physically stored at Rohit Chambers office which is located in the adjoining building of our registered office due to paucity of space at the registered office. The premise at Rohit Chambers was effectively an extension of the registered office as the Auditors were also posted there for continuous internal audit of Books of accounts. However, subsequent to the observation, all the documents are shifted to the broker's corporate office at 28 Bhepen Chambers, 1st floor, Opp. BSE, Dalal Street, Fort, Mumbai -400001.

IRDA's Direction:

Since the violation has been noticed for the first time the broker is strictly warned to ensure that the violation does not reoccur. The Authority directs the broker to maintain all the books of account, statements, document, etc. at their head office and ensure their availability

on all working days for inspection by the officials of the Authority. Any non-compliance of Regulation 25(4) in future shall attract penal action.

Charge 7:

Inspection Observation 6(a):

The Broker filed the names of three persons as responsible for soliciting or procuring insurance business in Form-E of the online returns. However, it is noticed that the Principal Officer was the only person on employment of the Broking Company who is qualified to solicit the insurance business.

Concern/Violation: The above is a violation of Regulation 9 (2) (C) regarding requirement of qualified persons

Submissions made by the insurance broker: On 21.03.2013, one of the employees has left the organisation and the company was left with two qualified persons, one of which is the Director. Further it was submitted that during normal course of business, an employee may leave the organisation and such a vacated position is subsequently re-filled as soon as a suitable candidate is recruited.

The current status in this matter is that, they have appointed Mr. Vatsal Shah who has requisite qualification and the letter to that effect is sent to IRDA on 26.08.2014 along with the appointment letter and training certificate

IRDA's Direction:

It is now submitted by the Broker that they have now recruited another qualified person. The Broker is warned to strictly adhere to the provisions of Regulation 9(2)(c) of IRDA (Insurance Brokers) Regulations, 2002 and any violation/non-compliance on this front in future shall be viewed seriously for taking penal action.

Summary:

In conclusion, the penalty amount of Rs. 5000/- shall be remitted by the insurance broker by a crossed demand draft (DD) drawn in favour of the Insurance Regulatory and Development

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Authority, payable at Hyderabad or through the NEFT (as per the details being communicated in a separate e-mail to the insurance broker), **within a period of 15 days from the date of receipt of this Order.**

Confirmation of NEFT/ DD may be sent to Shri Lalit Kumar, FA(Enforcement) at the Insurance Regulatory and Development Authority of India, 3rd Floor, Parishrama Bhavan, Basheer bagh, Hyderabad 500 004

The Broker is required to ensure compliance with the above directions under intimation to the Authority.

Yours Faithfully,



M. Ramaprasad
Member (Non-Life)

