



Ref: IRDAI/NL/ORD/MISC/029/001/2020

Order in the matter of M/s Acko General Insurance Ltd

Based on the

- (i) Show Cause Notice ("SCN") reference No. IRDAI/NL/AGIL/ADVT/SCN/88/2019-20 dated 25th July, 2019 issued by the Insurance Regulatory and Development Authority of India ('the Authority' or 'IRDAI') in respect of advertisements released by M/s Acko General Insurance Ltd.
- (ii) M/s. Acko General Insurance Ltd.'s ("AGIL" or "Insurer" or "the Company") response dated 16th August, 2019 to the aforesaid SCN.
- (iii) The submissions made by AGIL during the Personal Hearing held on 7th October, 2019 granted by the Chairman of the Authority at its office at Hyderabad.
- (iv) Further submissions/data submitted by AGIL post personal hearing vide email dated 30th October, 2019 and email dated 4th December, 2019.

1. Background:

- 1.1 The Authority, while examining the advertisements filed by AGIL in advertisement module of Business Analytics Project (BAP) as well as the advertisements that appeared in various media, observed that the Insurer has violated the provisions in respect of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 (hereinafter referred as said Regulations) and Master Circular issued thereunder. Hence, SCN was issued on 25th July, 2019, which was responded to by AGIL vide letter dated 16th August, 2019. As requested for by AGIL therein, personal hearing was granted to AGIL on 7th October, 2019.
- 1.2 Mr. Varun Dua, Managing Director & Chief Executive Officer, Ms. Karishma Desai, Chief Compliance Officer, Mr. Biresh Giri, Appointed Actuary were present in the personal hearing on behalf of AGIL. On behalf of the Authority, Ms. Yegnepriya Bharath, CGM (NL), Mr. K. Mahipal Reddy, DGM (NL), Mr. Pradeep Kumar Singh, Manager (NL) were also present.
- 1.3 The submissions made by AGIL in its letter dated 16th August, 2019, during the personal hearing on 7th October, 2019 and post personal hearing vide email

Page 1 of 9

dated 30th October, 2019 and email dated 4th December, 2019 have been considered by the Authority.

The charges in the SCN, submissions of the Insurer and decisions of the Authority are given hereunder.

2. Charge 1:

2.1 The Insurer has violated Regulation 3 (1) (v) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and clause 10 of the Master Circular no. IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13th August, 2015 that all advertisements should be filed within 7 days of their release.

- (i) Advertisement on Motor Insurance-Quick Ride
- (ii) Advertisement showing 'Acko General Insurance (now officially 2nd best in the world)'

2.2 Summary of Insurer's submissions

2.2.1 AGIL has submitted that the advertisement pertaining to Quick Ride was filed in BAP with URN No. 250201819500157025 on 12th June, 2018. Further, during personal hearing AGIL has confirmed that only the picture part of the advertisement was filed by the company in BAP system. At the same time, the insurer accepted that the third party i.e. Quickride has added additional conditions and issued some part of the advertisement without the knowledge of AGIL, which should not have been done. The insurer has taken corrective action for the lapse and vendor 'Quickride' is no more associated with AGIL.

2.2.2 AGIL has acknowledged the fact that there were inadvertent lapses on their part for not filing the advertisements. The Insurer believed that there is no need to file the news content as advertisement hence not filed in BAP. Otherwise, the insurer has assured the Authority that there was no intent of AGIL to mislead the prospective customers with the content, which was posted by an independent agency called Insurance Post, UK.

2.3 Decision on Charge 1:

2.3.1 The charge on incomplete and non-filing of the said advertisements is admitted by the Insurer. However, based on the submissions made by the insurer and on their assurance that the advertisement process has been redefined to ensure compliance, the insurer is hereby cautioned and directed to



scrupulously adhere to the IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and the Master Circular issued thereunder so as to prevent recurrence of such lapses.

3. Charge 2:

3.1 Violation of Regulation 12 read with 2(d) (iii) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Clause No.3.4.2.4 and 3.4.1.2 of Master Circular Ref: IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13th August, 2015 that the advertisements should not be misleading.

- i. Advertisement on Motor Insurance Quick Ride
- ii. Advertisement of Premium of Rs. 2299/-

3.2 Summary of Insurer's submissions

3.2.1 The insurer submitted that the advertisement on Motor Insurance Quickride only seeks to inquire further about the product and does not mention any product specific information, terms and conditions of the policy. The company has not omitted any limitations/conditions of policy contract since information has not highlighted any product specific information on the advertisement. When a customer chooses to know more by clicking on the advertisement, customer is redirected to the Company's website where all necessary disclaimers along with specimen wordings detailing features, benefits, exclusions etc. are available for any further reference.

3.2.2 All insurance policies are being sold subject to standard terms and conditions of filed product. Various advertisements issued for Rs 2299/- as shown in photos with big sedan car pictures (engine more than 1000 CC) were just for illustration to customers to generate the desire to enquire about the offerings of the insurance company. There was no specific intent to mislead the customers and generate leads because the final offer will always be as per the standard underwriting parameters and on the assumption that customers who have online skills will definitely understand the basics and the requirements for motor insurance cover.

3.2.3 The Insurer explained that they ran an advertisement campaign pilot for multiple make-model samples to check the consumers' response on the advertisement. For a similar creative, multiple top selling vehicles were selected. The "starting premium" was calculated considering the Engine CC and applicable Third party premium slab, though the same was correct for all models, it came out to be incorrect for Hyundai i10 as Hyundai has not

SCX

launched i10 less than 1000CC. This was a mistake and the company had no intention to misguide the customers. All the other advertisements submitted along with this had the correct premium and considering the right TP slabs and Engine CC for available variants. Also the insurer started the process to roll back the i10 creative and their Underwriting team is revisiting the starting price for all such models.

3.3 Decision on Charge 2:

- 3.3.1** The advertisement on Motor Insurance-Quick Ride is found to be unfair or misleading for it discloses insufficiently the limitations/conditions of policy contract. As per Clause No.3.4.2.4 of Master Circular no. IRDAI/LIFE/CIR/MISC/I47/08/2015 dated 13th August, 2015, the advertisement should not disclose benefits partially without disclosing the corresponding limitations/conditions/implications. It is noted that the Insurer subsequently had taken corrective action for the lapse.
- 3.3.2** AGIL has issued various advertisements showing car insurance starting @ Rs 2,299/- and filed in BAP under private car package insurance product. The insurer submitted the premium details with assumption of IDV at Rs 100,000, NCB 50% and Third Party premium of private Car not exceeding 1000 cc but the advertisement depicts Sedan type and other type Cars which have cubic capacity of engine exceeding 1000 cc. For the cars with engine above 1000 cc, the correct minimum Third Party Premium should be Rs 2,863/- and not as illustrated by the insurer.
- 3.3.3** AGIL's explanation that the "starting premium" was calculated considering the Engine CC and applicable third party premium slab, though the same was correct for all model is not acceptable. It is found that the correct make and model of vehicle was not given in the advertisements. The appeal to the prospects in the advertisements is through portraying picture of cars without disclosing the make and model of cars and this tantamounts to misleading information.
- 3.3.4** The Insurer in their reply admitted the mistake that for Hyundai i10, it came out to be incorrect as Hyundai has not launched i10 less than 1000CC. Hence, the advertisement is unfair or misleading as defined under Regulation 2(d) (iii) of said Regulations and it gives information in a misleading way and the assumptions are not as per the type of private car depicted.

scl

- 3.3.5 Upon examination of responses of Insurer to show cause notice and submission during personal hearing, it is established that the said advertisements are in violation of Regulation 12 of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 i.e the recognized standard of professional conduct as prescribed by the Advertising Standards Council of India (ASCI) that the advertisements should not be misleading. The advertisement is in violation of Clause No. 3.4.1.2 of Master Circular which requires that the Advertisement should ensure that it discloses all relevant assumptions.
- 3.3.6 As per the data submitted by AGIL, the advertisement on Hyundai i10 was in display in digital medium for more than hundred days from the date of release of advertisement. Considering the release of misleading nature of advertisement, in exercise of powers vested in the Authority under section 102 of Insurance Act, 1938 and amendments made thereto, a penalty of Rs. 1,00,00,000 (*Rupees One Crore Only*) is levied on the Insurer for the violation period.
- 3.3.7 Further, the insurer is directed to issue advertisements with complete and correct information on the insurance cover offered duly considering all the applicable Regulatory provisions and guidelines issued thereunder from time to time.

4. **Charge 3:**

- 4.1 Violation of Clause No.4.1 of Master Circular Ref IRDAI/LIFE/CIR/MISC/147 /08/2015 dated 13th August, 2015. Advertisement UIN 157NAD201819047- Filed under Amazon exclusive campaign.

4.2 **Summary of Insurer's submissions**

- 4.2.1 The Insurer has submitted that the Amazon customers' advertisement for exclusive offers were based on social group/login basis discounts duly approved by the actuarial pricing for differentiation i.e. based on social network profile of individuals and being sourced as direct e-based sales for the company.
- 4.2.2 The company had inadvertently missed to enter details of Amazon in the advertisement application. Henceforth, the Company is taking utmost care while filing the details and forms with the Authority.



4.3 Decision on Charge 3:

4.3.1 AGIL has filed advertisement with UIN 157NAD201819047 under Amazon exclusive campaign as 'Featured Insurance Partner'. AGIL in reply letter dated 16th October, 2018 confirmed that this is an exclusive co-branded product that has been noted by the Authority and also no cash back credit has been offered on completion of the purchase.

Nevertheless, it was observed that in the given advertisement application, the insurer has not furnished the name of Amazon while filing this advertisement. Hence, full information was not given in the filing.

4.3.2 The insurer, during personal hearing, also requested to confirm the source for Amazon advertisement photo quoted by the Authority, as they believe it may not be filed by them. However, later it was confirmed to the Insurer vide email dated 29th Oct, 2019 that the source of the photo is indeed from the BAP filing of the AGIL.

4.3.3 Further, as per Master Circular clause no 4.1, branding with third parties shall mean that any individual/association/entity other than insurance intermediary can be used on any advertisement of insurer/intermediary only when it does not urge the prospect or a policyholder to purchase, renew, increase, retain or modify a policy of insurance. But the advertisement shows the feature of how it works which includes completing the purchase and crediting of cash back by Amazon. Given that the contents of advertisements do urge the prospect or a policyholder to purchase, the said advertisement is in Violation of Clause No.4.1 of master Circular Ref IRDAI/LIFE/CIR/MISC/147 /08/2015 dated 13th August, 2015.

4.3.4 Taking into consideration the response of the Insurer that the advertisement process has been redefined to ensure compliance with said regulations, the insurer is directed to exercise care and diligence in complying with IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Master Circular.

4.3.5 As regards the advertisement showing Cashback up to 5% of car insurance purchase amount and the advertisement with the feature of crediting cash back by Amazon, these are in violation of section 41(1) of the Insurance Act, 1938. The matter is being inquired into by the Adjudicating Officer under Section 105C of the Insurance Act, 1938.



5. Charge 4:

5.1 Violation of Clause No.5.3 of master Circular Ref IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13th August, 2015. Advertisement showing Acko GICL (now officially 2nd best in the world). "No claim of ranking by an insurance company, as regards its position in the insurance market, based on any criteria is permissible in any of the advertisement".

5.2 Summary of Insurer's submissions

The Insurer, in its written response, has submitted that it was the Company's understanding and belief that as per clauses 5.1 & 5.2 of Master Circular on Insurance Advertisements, any claim of rating/award may be published if it is based only on those declared by entities which are independent of the insurers and its affiliates. Insurers and its affiliates should not however, procure services from such independent entities so as to get a rating/award. The post was published by an independent agency called Insurance Post, UK and AGIL has no affiliation with the entity, it has promoted the content. The Insurer assured the Authority that there was no intent of AGIL to mislead the prospective customers with the content and only the web link of the post along with source was simply shared as published by the agency.

5.3 Decision on Charge 4:

5.3.1 The Advertisement that shows Acko General Insurance (now officially 2nd best in the world) is in violation of Clause No.5.3 of the Master Circular. The Insurer's submission that post was published by an independent agency and only the web link of the post was provided by AGIL is not acceptable. It is my considered view that the Insurer should indeed object to any entity carrying out such posts which are not in compliance with extant Regulations/ Circulars applicable to Insurers instead of facilitating web link to the post.

5.3.2 Taken into consideration the submission that the Company has removed the said advertisement and based on the assurance given by AGIL in the personal hearing that the process has been redefined to ensure compliance with Advertisement Regulations and circulars, the Insurer is hereby cautioned to exercise care and diligence in complying with the IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Master Circular issued thereunder.



6. Summary of Decisions:

Charge No.	Violation of Provisions	Decision
1	Regulation 3 (1) (v) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and clause 10 of the Master Circular no. IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13 th August, 2015	Caution and Direction
2	Regulation 12 read with 2(d) (iii) of IRDA (Insurance Advertisements and Disclosure) Regulations, 2000 and Clause No.3.4.2.4 and 3.4.1.2 of master Circular no: IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13 th August, 2015.	i. Penalty of One Crore Rupees ii. Direction
3	Clause No.4.1 of master Circular no. IRDAI/LIFE/CIR/MISC/147 /08/2015 dated 13 th August, 2015	Direction
4	Clause No.5.3 of master Circular no. IRDAI/LIFE/CIR/MISC/147/08/2015 dated 13 th August, 2015	Caution

In conclusion, as directed under the respective charges, the penalty of Rs. 1,00,00,000/- (Rupees One Crore only) shall be remitted by the Insurer within a period of 15 days from receipt of this Order through NEFT/RTGS (details of which will be communicated separately). An intimation of remittance may be sent to Ms. Yegnapriya Bharath, Chief General Manager (Non-Life) at Insurance Regulatory and Development Authority of India, Sy. No. 115/1, Financial District; Nanakramguda, Gachibowli, Hyderabad-500032.


Further,

- (i) The Order shall be placed before the Board of the insurer in the upcoming Board Meeting and the insurer shall provide a copy of the minutes of the discussion.
- (ii) The general insurer shall submit an Action Taken Report to the Authority on directions given within 90 days from the date of this Order.



7. If AGIL feels aggrieved by this Order, an appeal may be preferred to the Securities Appellate Tribunal as per the provisions of Section 110 of the Insurance Act, 1938.

Place: Hyderabad
Date: 24th January, 2020


24/1/20
(Dr. Subhash C. Khuntia)
Chairman