



Ref: IRDA/NL/ORD/MISC/21/01/2021

Order in the matter of M/s GO DIGIT General Insurance Ltd

Based on the

- (i) Show Cause Notice (hereinafter referred to as "SCN") reference No. IRDAI/NL/GODIGIT/SCN/214/2020-21 dated 5th October, 2020 in connection with the on-site inspection conducted by the Insurance Regulatory and Development Authority of India (herein after referred to as 'the Authority' or 'IRDAI') from 24th September, 2018 to 26th September, 2018.
- (ii) M/s. GO DIGIT General Insurance Ltd's (hereinafter referred to as "GO DIGIT" or "Insurer") response dated 6th November, 2020 to the aforesaid SCN.
- (iii) The submissions made by GO DIGIT during the personal hearing through video conference held on 17th December, 2020 at 12:00 PM, granted by the Chairman of the Authority.

Background:

1. IRDAI had conducted an onsite inspection of M/s. GO DIGIT General Insurance Ltd from 24th September, 2018 to 26th September, 2018. The inspection report, inter alia, revealed certain violations of provisions of the Guidelines on Motor Insurance Service Provider (hereinafter referred as MISPG) issued by the Authority vide IRDA/INT/GDL/MISP/202/08/2017 dated 31st August, 2017 and circulars thereunder, provisions of Insurance Act, 1938, Regulations, Guidelines issued thereunder.
2. A copy of the inspection report was forwarded to GO DIGIT on 21st January, 2019 seeking their response. After examining the submissions made by the Insurer vide their letter dated 11th February, 2019, SCN was issued on 5th October, 2020. The insurer responded vide letter dated 6th November, 2020. As per their request, personal hearing was granted to the insurer on 17th December, 2020.
3. Shri Vijay Kumar, Chief Executive Officer and Principal Officer, Shri Samir Bakshi, Director, Shri Adarsh Agrawal, Appointed Actuary, and Smt. Rasika Kuber, Head – Legal and Compliance were present in the personal hearing on behalf of GO DIGIT. The Authority was represented by Smt. Yegnapiya Bharath, CGM, Non-Life Department, Shri. Randip Singh Jagpal, CGM, Intermediaries

Department, Smt. Anita Josyula , GM, Non-Life Department, Shri. Rahul Kumar Agrawal, Manager, Non-Life Department, and Shri. A. Ramasudheer, Manager, Non-Life Department.

4. The submissions made by GO DIGIT in its letter dated 6th November, 2020, and during the personal hearing on 17th December, 2020 have been considered carefully. The details are as under:

5. **Charge no.1**

Violation of Section 64VB (2) & (4) of the Insurance Act, 1938, Para 6 of chapter V of MISPG and Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISPG deposits the premium within twenty four hours of its collection.

Out of a total of thirty seven sample instances, in the following five instances the risk inception date were found to be earlier than the instrument date and premium receipt date.

| S. no | Policy Number | Mode Of payment | Amount | Instrument No | Instrument date | Instrument Received by insurer on | Policy Risk Inc. date |
|-------|---------------|-----------------|--------|---------------|-----------------|-----------------------------------|-----------------------|
| 1 | D000044520 | Cheque | 27347 | 438676 | 6-Feb-18 | 6-Feb-18 | 5-Feb-18 |
| 2 | D000145864 | Cheque | 5862 | 486755 | 20-Mar-18 | 20-Mar-18 | 19-Mar-18 |
| 3 | D000432878 | Cheque | 46079 | 709732 | 30-May-18 | 30-May-18 | 28-May-18 |
| 4 | D000461885 | Cheque | 15838 | 796132 | 7-Jun-18 | 8-Jun-18 | 6-Jun-18 |
| 5 | D000473471 | Cheque | 13333 | 099627 | 11-Jun-18 | 12-Jun-18 | 8-Jun-18 |

Further, in following instance receipt date is nine days after the instrument date and 7 days after the risk inception date.

| S. no | Policy Number | Mode Of payment | Amount | Instrument No | Instrument date | Instrument Received by insurer on | Policy Risk Inc. date |
|-------|---------------|-----------------|--------|---------------|-----------------|-----------------------------------|-----------------------|
| 1 | D000375033 | Cheque | 4618 | 422197 | 15-May-18 | 24-May-18 | 17-May-18 |

Delay in receipt of premium indicates that the MISPG has not remitted the premium to the insurer within a period of twenty four hours.

6. **Summary of submissions**

The insurer submitted that its system was erroneously recording the “quote creation date” as the risk inception date for certain policies where the premium was paid through cheque.

Regarding delay in remittance of premium by the MISP, the insurer has stated that the MISP received the cheque dated 15th May, 2018 on 17th May, 2018. The quote was generated on 17th May, 2018. The customer has requested to update the address on the same date but it could not be done due to technical issue. The issue was resolved on 24th May, 2018. The policy was issued on 24th May, 2018 with the risk inception date of 17th May, 2018.

The insurer has also submitted that they have rectified the system errors subsequently in the month of December, 2018.

7. Decision on charge no.1

The insurer has stated that the quote creation date has been captured in its system as policy inception date due to system error and the system error was rectified subsequently. The explanation for the policy in the second table is acceptable. However, it is observed from the policy copies submitted by the insurer that for the sample policies in the first table in question, the policy start dates are the same as mentioned in above table. In case of all the 5 policies mentioned in the table, risk inception date is shown as prior to the date recorded on the face of the cheque. The insurer has not provided any evidence to show that the errors in the system have been rectified or the risk inception date has been modified through any endorsement to the policyholder. The insurer has allowed these policies to run erroneously and in effect, this demonstrates lack of sufficient control functions.

In respect of delay in remittance of premium by the MISP, insurer's submission has been noted. The insurer is hereby advised to ensure compliance of Para 6 of chapter V of MISPG scrupulously.

In view of the violations observed in the above five instances in respect of Para 6 of corporate governance guidelines, the Authority in exercise of the powers vested under Section 102(b) of the Insurance Act, 1938 imposes a penalty of Rs. 5 lakh (Rupees Five Lakh Only).

8. Charge no.2

Violation of Para 23 of IRDA (Registration of Indian Insurance Companies) Regulations, 2000; Para 16 of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 and Para 14(d) of MISP guidelines - The insurer is using clauses/ terms in Standard Operating Procedure (SOP) related to processing of motor insurance claims which are against the interest of policyholders. Also, the insurer has not sent initial assessment of loss or final settlement letter to the policyholder.

The following clauses/ terms of standard operating procedure (SOP) of claims settlement have been found to be detrimental to the interests of the policyholders:

- i. Incentivization and dis-incentivization of the surveyor is based on the amount negotiated by the surveyor over or below the Vehicle Repair Order (VRO) – benchmark given by claim analyst.
- ii. The insurer is allowing claim amount without taxes (i.e. 80% of the liability), if the customer chooses to get his damaged vehicle repaired at the garage of his/ her choice. A window of 15 days is provided to the customer to get the vehicle repaired and submit final repair bill. In case of no response, a reminder is sent with a notice to cancel the OD section of the policy without refund.

Also, in three sample cases it is noted that the insurer is not sending communication regarding initial assessment of claims and final payment amount to the customer and the sms sent is about confirmation of receipt of claim and self-survey of the vehicle. Further, the insurer is not giving final settlement letter to the policyholder at the time of settlement of claim.

9. Summary of submissions

Regarding linking of incentive or disincentive of the surveyor, the insurer has submitted that the clause suggested in the SOP was such that the customer's interest is not jeopardized and the negotiation is between the garage and the insurance company. The insurer has further submitted that the clause was never used.

Regarding the practice of allowing claim amount without taxes, the insurer has replied that the payment of claim liability prior to conducting repair of the damaged vehicle is an option which customer can exercise for direct settlement of claim before actual repair is carried out. In order to close the incident/ event of claim and avoid any malpractices, the insurer requires the customer to submit the final invoice of repair.

The insurer has further submitted that both the above clauses have been removed from the SOP in the month of October, 2019.

Regarding the observation on sending claim related communication to the customer, the insurer has stated that they provide regular updates to the customers regarding claim at each and every stage in the claims journey. The insurer has submitted screenshots of communication sent by them to the policyholders electronically.

10. Decision on charge no.2

Payment of incentive to the surveyor based on the agreed amount negotiated with the claimant is liable to create a bias in the judgment of the surveyor. The surveyor may tend to assess losses for a lesser amount as compared to the actual damages to earn higher incentive. The surveyor who is supposed to be the expert in the subject is expected to provide the estimate of losses accurately and professionally and not based on the incentives provided by the insurer.

Also, a clause restricting the claim amount to 80% when the customer is getting his/ her vehicle repaired at a garage other than authorized by the insurer is restrictive on the choices offered to the policyholders as at the time of claim the policyholder will be pressured into accepting it.

However, taking on record the submission made by the insurer that till date the insurer has not exercised these clauses and in October, 2019, the said clauses have been removed from its SOP and also considering the screenshots submitted by the insurer in respect of communications sent to the policyholders, the insurer is hereby advised to refrain from incorporating any clause (s) which are potentially detrimental to the interest of the policyholders. Also, the insurer is advised to adhere to Para 14(d) of the MISPG.

11. Summary of Decisions:

| Charge No. | Violation of Provisions | Decision |
|-------------------|---|------------------------------------|
| 1 | Violation of Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISPG deposits the premium within twenty four hours of its collection | Rs. Five Lakh penalty and Advisory |
| 2 | Violation of Para 23 of IRDA (Registration of Indian Insurance Companies) Regulations, 2000; Regulation 16 of IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 and Para 14(d) of MISPG guidelines - The insurer is using clauses/terms in Standard Operating Procedure (SOP) related to processing of motor insurance claims which are against the interest of policyholders. Also, the insurer has not sent initial assessment of loss or final settlement letter to the policyholder. | Advisory |

12. The penalty amount of **Rs. 5 lakh** (Rupees Five lakh only) shall be remitted by the insurer by debiting the shareholders' account within a period of forty five 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 Mrs. Yegnapriya Bharath, Chief General Manager (Non-Life) at the Insurance Regulatory and Development Authority of India, Survey No.115/1, Financial District, Nanakramguda, Hyderabad 500032, email id - ypriyab@irda.gov.in.
13. Further, 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.
14. If the insurer 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: 29th January, 2021

Sd./
(Dr. Subhash C. Khuntia)
Chairman