



Ref: IRDAI/NL/ORD/MISC/034/01/2020

**Order in the matter of M/s Raheja QBE General Insurance Company Ltd**

**Based on the**

- (i) Show Cause Notice ("SCN") reference No. IRDAI/NL/RQGICL/SCN/89/2019-20 dated 25<sup>th</sup> July, 2019 issued by the Insurance Regulatory and Development Authority of India ("the Authority" or "IRDAI") in connection with Motor Third Party Liability Only Insurance Cover.
- (ii) M/s. Raheja QBE General Insurance Co Ltd's (hereinafter referred to as "RQGICL" or "Insurer") response dated 9<sup>th</sup> August, 2019 to the aforesaid SCN.
- (iii) The submissions made by RQGICL during the Personal Hearing held on 31<sup>st</sup> October, 2019 at 3.30 PM, granted by the Chairman of the Authority at its office at Hyderabad.
- (iv) Further submissions/data submitted by Insurer post personal hearing vide email dated 4<sup>th</sup> December, 2019.

**Background:**

1. In terms of Para 2 (vi) of the IRDAI/NL/CIR/MOT/137/08/2018 Circular dated 28<sup>th</sup> August, 2018, the Insurers shall file a Letter of Intent signed by the CMD/CEO, with Insurance Regulatory and Development Authority of India (hereinafter referred as the Authority/IRDAI) in the prescribed format before 30<sup>th</sup> August, 2018 to offer only three-year Motor Third Party Insurance covers for new cars and five-year motor third party insurance policies for new two-wheelers with effect from 1<sup>st</sup> September, 2018. But RQGICL had filed the letter of intent on 1<sup>st</sup> October, 2018 i.e thirty-two days after the date given in the Circular.
2. It has also come to the notice of the Authority that RQGICL had not filed Motor Liability only covers since grant of certificate of registration in 2008-09. However, the Insurer has been procuring insurance business under Motor Third Party Liability Only policies by using/issuing Motor Package Policy schedule and policy wording.
3. In view of the above, SCN was issued on 25<sup>th</sup> July, 2019, which was responded to by RQGICL vide letter dated 9<sup>th</sup> August, 2019. As requested for by RQGICL therein, personal hearing was granted to the Insurer on 31<sup>st</sup> October, 2019.

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4. Mr. Pankaj Arora, Managing Director & Chief Executive Officer, Mr. Puneet Sahni, Head Underwriting Officer for Retail Lines, Mr. Anirudh Singh, Operations Department, and Mr. Jigar Shah, Company Secretary & Chief Compliance Officer were present in the personal hearing on behalf of RQGICL. On behalf of the Authority, Ms. Yegnapriya Bharath, CGM (NL), Mr. K. Mahipal Reddy, DGM (NL) and Mr. A. Rama Sudheer, Manager (NL) were also present.

5. The submissions made by RQGICL in its letter dated 9<sup>th</sup> August, 2019 and during the personal hearing on 31<sup>st</sup> October, 2019 and information furnished thereafter have been considered by the Authority and on that basis the decisions on the charges are given as under:

6. **Charge no.1**

Violation of Paras 2, 3 and 4 of Circular Ref: IRDAI/NL/CIR/MOT/137/08/2018 dated 28<sup>th</sup> August, 2018 and Directions/Guidelines of IRDAI to Insurers in terms of Section 14(2) of IRDA Act 1999 for implementation of the Directions of the Hon'ble Supreme Court of India.

7. **Summary of submissions**

The Insurer submitted that they had erroneously failed to file the Letter of Intent within the timelines as prescribed in the said circular. Further it is informed that the Insurer has not written any business through MISIP and the primary purchasers of the long term coverage were new vehicles purchasers which is sold solely by the MISIP route. RQGICL does not write any Private Car Package policy and Two-Wheeler package policy for new vehicles. At no point of time, the intention was to refuse the standalone TP cover to any one whether be it an annual cover or long-term cover as envisaged by the Supreme Court as per their order dated 20<sup>th</sup> July, 2018 or the regulations as issued by the Authority.

8. **Decision on Charge no.1:**

8.1. It is clearly mentioned in the IRDAI circular that as directed by the Hon'ble Supreme Court, insurers shall ensure that third party insurance cover is available to all proposers through online channels as well. Thus, it is intended that regardless of point of sale of vehicle at motor dealer or MISIP, the Insurers shall ensure the third party insurance cover is available.



- 8.2. As per the said circular, it would suffice if the Insurer files a Letter of Intent signed by the CMD/CEO with IRDAI in the prescribed format on or before 30<sup>th</sup> August, 2018. RQGICL had delayed the filing of Letter of Intent by thirty-two days from the date given in the circular contrary to timeline prescribed in the circular.
- 8.3. It is noted that the Insurer had subsequently filed letter of intent and obtained UIN for three-year Motor Third Party Insurance covers for new cars and five-year motor third party insurance cover for new two-wheelers. Taking into consideration the submission that RQGICL did not deny any customer asking for the said covers during the period of delay or thereafter and the intention was not to refuse the standalone TP cover, the charge is not pressed. However, the insurer is hereby advised to strictly adhere to the timelines prescribed in circulars and guidelines issued by the Authority from time to time so as to prevent recurrence of such lapses.

9. **Charge no.2:**

Violation of Para 7.2 (iv) (i), 7.2 (iv) (c), 17, 6 (f), 6 (m) of Guidelines on Product Filing Procedures for General Insurance Products vide IRDAI/NL/GDL/F&U/030/02/2016 dated 18<sup>th</sup> February, 2016 (referred as said guidelines), Circular Ref: IRDA/NL/GDL/F&U/109/05/2017 dated 3<sup>rd</sup> May, 2017 and General Regulations -3 of erstwhile India Motor Tariff.

10. **Summary of submissions**

- 10.1. The Insurer submitted that in the Motor Package Product filing in 2009, it was mentioned the product can also be offered as a standalone Third Party Liability Policy. The product would be used to sell as (i) Package Policy and (ii) Standalone Third Party Only Policy. The Insurer further submitted that they have been procuring business under Motor Third Party Liability Only policies by using / issuing Motor Package Policy schedule and policy wordings by clearly mentioning that the 'type of product' as Third Party Liability Only Cover.
- 10.2. RQGICL further informed that claims were settled and till date no complaint has been received from any customer regarding confusion in the coverage. Accordingly, Insurer has been filing data in form I of Statewise policies (Quarterly Format) which reflects details of Motor Third Party Policies and Premium. Insurer confirmed during personal hearing that the Company has filed the Standalone Third Party Liability Only products in order to avoid confusion and for ensuring complete clarity.

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**11. Decision on Charge no.2:**

On examination of the Insurer's response to the Show Cause Notice and submission made during Personal Hearing, the following is observed:

- 11.1.** The policies insuring Motor Vehicles are to be issued only as per the Standard Form (s) given in Section 6 of the erstwhile India Motor Tariff. This has been made amply clear in General Regulation 3 of erstwhile IMT. RQGICL is not using the standard form for Motor Liability Only Policy as per GR. By no means, the insurer is justified in stating that Motor Package policy can also be offered as a standalone Third Party Liability Policy. The Authority has not given any relaxation in the use of Standard Forms. Instead, it is reiterated in para 7.2 (iv) (i) of Guidelines that no changes to General Rules and Regulations of the Tariff that has an impact on policy terms, conditions, wordings, clauses and endorsements shall be made.
- 11.2.** The policy wording of Liability only covers and policy wording of Package policy of the Insurer vary in certain aspects and, hence, is misleading to the policyholders, which is in violation of Para 6 (m) of said Guidelines. The prospects or Policyholders would assume wrongly that the product offers certain protection that it really does not.
- 11.3.** Further, the use of Motor Package Policy Schedule and wordings in place of Liability only wordings is in violation of Para 6 (f) of said Guidelines which required the product should be need based so that unnecessary and superfluous coverages are not added and the necessary ones are not excluded. The Para 17 of said Guidelines prohibits alteration of terms and conditions and other features of the products.
- 11.4.** In terms of para 7.2 (iv) (c) of the said Guidelines, every Insurer shall ensure that the insurance products that meet statutory requirements in a class of general insurance business shall be filed and product UIN received prior to filing other insurance products in that class of business. The Insurer has not taken steps to comply with this guideline. The Insurer has not brought to the notice of the Authority the omission of Motor Third Party Liability Only Covers during the classification of products as required under circular no. IRDA/NL/GDL/F&U/109/05/2017 dated 3<sup>rd</sup> May, 2017. It is noted that RQGICL has filed the Standalone Third Party Liability Only products and obtained UIN only in September 2019 i. e. after issuance of Show Cause Notice.



11.5. On perusal of data submitted by RQGICL, it transpires that the Insurer has been underwriting significant number of policies under standalone motor third party business using Motor Package Policy Schedule and wordings. The number of policies issued in this manner during 2016-17, 2017-18 and 2018-19 (up to December) came to 17696, 52178 and 49002 respectively. Thus, the number of policyholders actually exposed to misleading coverage is substantial and the number of days such failure continued by the Insurer since 1<sup>st</sup> April, 2016 had exceeded hundred days.

Taking into consideration the gravity of violation of Product filing guidelines, GR 3 of erstwhile IMT, the number of days such failure continued by RQGICL and keeping in view the protection of policyholders' interests, in exercise of powers vested in the Authority under section 102 of the Insurance Act, 1938 and amendments made thereto, a penalty of Rs. 1,00,00,000 (*Rupees One Crore Only*) is levied on the Insurer.

Further, in terms of Section 34(1) of the Insurance Act, 1938, the Insurer is hereby directed to take necessary steps to correct the existing policies issued using Motor Package Policies Forms. Accordingly, the policyholders shall be suitably informed about the correct coverage offered.

12. **Summary of Decisions:**

Charge No.	Violation of Provisions	Decision
1	Violation of Paras 2, 3 and 4 of Circular Ref: IRDAI/NL/CIR/MOT/137/08/2018 dated 28 <sup>th</sup> August, 2018	Advisory
2	Violation of Para 7.2 (iv) (i), 7.2 (iv) (c), 17, 6 (f), 6 (m) of Guidelines on Product Filing Procedures for General Insurance Products vide IRDAI/NL/GDL/F&U/030/02/2016 dated 18 <sup>th</sup> February, 2016, Circular Ref: IRDA/NL/GDL/F&U/109/05/2017 dated 3 <sup>rd</sup> May, 2017 and GRs -3 of erstwhile India Motor Tariff	Penalty of Rs. one crore and Directions

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. Yegnapiya 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,

The Order shall be placed before the Board of the General Insurer in the upcoming Board Meeting and the General Insurer shall provide a copy of the minutes of the discussion and steps taken to improve compliance.

The general insurer shall submit an Action Taken Report to the Authority on direction given within 90 days from the date of this Order.

13. If RQGICL 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: 27<sup>th</sup> January, 2020

  
27/1/20  
(Dr. Subhash C. Khuntia)  
Chairman