



Ref: IRDA/NL/ORD/MISC/124/05/2021

**Order in the matter of M/s Universal Sampo General Insurance Company Ltd.**

**Based on the**

- (i) Show Cause Notice (hereinafter referred to as 'SCN') Dated 23<sup>rd</sup> September, 2020 issued by the Adjudicating Officer appointed by the Authority.
- (ii) Reply of M/s Universal Sampo General Insurance Company Ltd (hereinafter referred to as 'the Insurer' or "Company") dated 30<sup>th</sup> September, 2020 to the SCN.
- (iii) Submissions made by the Insurer before the Adjudicating Officer during virtual Personal Hearing on 15<sup>th</sup> October, 2020.
- (iv) Report of Adjudicating Officer dated 18<sup>th</sup> February, 2021.
- (v) Authority's letter dated 9<sup>th</sup> March, 2021 giving the Insurer an opportunity of personal hearing in the matter.
- (vi) Reply of the Insurer dated 5<sup>th</sup> April, 2021 to the Authority's letter dated 22<sup>nd</sup> March, 2021.
- (vii) The submissions made by the Insurer during the virtual Personal Hearing held on 12<sup>th</sup> March, 2021 at 4:30 PM granted by the Chairman of the Authority.

**Background:**

- 1) On examination of the data submitted by the Insurer in accordance with IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015, it was observed that the Insurer did not comply with the Motor Third Party Obligation (hereinafter referred to as 'MTP Obligations') for the FY 2018-19 and FY 2019-20.
- 2) As regards possible violation of Section 32D of Insurance Act, 1938 (hereinafter referred as 'the Act'), the matter was referred to the Adjudicating Officer appointed by the Authority as per the provisions of Section 105C of the Act.
- 3) The Adjudicating Officer issued a show cause notice (SCN) vide letter ref. no. IRDAI/ADJ/SBI General//2019-20/ dated 23<sup>rd</sup> September, 2020 under Rule 4 of the Insurance (Procedure for Holding Inquiry by Adjudicating Officer) Rules, 2016 (hereinafter referred to as 'AO Rules').

- 4) The Insurer vide its letter dated 30<sup>th</sup> September, 2020 submitted its response to the SCN and as per the request of the Insurer, the Adjudicating Officer granted a personal hearing in the matter on 15<sup>th</sup> October, 2020.
- 5) The Adjudicating Officer submitted the inquiry report along with recommendations to the Authority on 18<sup>th</sup> February, 2021.
- 6) On examination of the Adjudicating Officer's report, the Authority issued a letter dated 9<sup>th</sup> March, 2021, offering another opportunity of personal hearing to the Insurer under section 105C (2) of Insurance Act, 1938.
- 7) The Insurer vide its e-mail dated 9<sup>th</sup> March, 2021 sought personal hearing, which was held by the undersigned on 12<sup>th</sup> March 2021 virtually. Shri Sharad Mathur, MD & CEO, Shri Nilesh Mejari, CFO, Shri Rishin Rai, CRO, Shri. Vikas Garg, AA, Shri. Abhijit Dhamale, CCO, of the Insurer were present in the hearing. On behalf of the Authority, Smt. Yegnapriya Bharat, CGM (Non-Life), Smt. Anita Josyula, GM (Non-Life), Shri. Dilip D. Dange, DGM (Non-Life) and Shri. Sagar Bangal, AM (Non-life) attended.
- 8) The recommendations of the Adjudicating officer, submissions of the Insurer to the SCN vide letter dt. 30<sup>th</sup> September, 2020, and submissions made during personal hearing held on 12<sup>th</sup> March, 2021 have been carefully considered.

9) **Charge**

**Violation of Sec. 32D of Insurance Act, 1938:** The Insurer did not comply with the MTP Obligation for the FY 2018-19 and FY 2019-20 calculated as per Regulation 3 of IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015. During the FY 2018-19, the Insurer has underwritten Rs. 379.46 crore as against the minimum obligatory MTP Insurance business of Rs. 418.58 crore resulting in a shortfall of Rs. 39.12 crore. In percentage terms, the shortfall works out around 9.35% of the MTP Insurance business obligation. During the FY 2019-20, the Insurer has underwritten Rs. 486.42 crore as against the minimum obligatory MTP Insurance business of Rs. 508.65 crore resulting in a shortfall of Rs. 22.23 crore. In percentage terms, the shortfall works out around 4.37% of the MTP Insurance business obligation.

- 10) The details of shortfall/ excess for the financial years 2015-16 to 2019-20 are as follows:

(Rs. in crores)

FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16
Shortfall (-ve)/ Excess (+ve)				



Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
-22.23	-4.37%	-39.12	-9.35%	<b>85.65</b>	<b>37.57%</b>	12.87	8.52%	-4.51	-3.61%

11) Insurer's submissions:

- a) The insurer submitted that due to sudden growth in crop business then, TP obligation grew from Rs. 228 cr in FY 2018 to Rs. 509 cr in FY 2020, an increase of Rs. 281 Cr in 2 years
- b) Even after steep increase in TP obligation, the insurer grew its TP GDP at a rate which was higher than the industry average (21% vs 15.4% in FY 2019, 28.19% vs 12.15% in FY 2020)
- c) The insurer seriously attempted to comply to the obligation even after an increased requirement. Deficit came down from 9% in FY 2019 to 4% in FY 2020.
- d) Cumulative performance under the Obligation for three years (FY 2018, FY 2019 and FY 2020) is in excess of 2%
- e) Delay in receipt of crop insurance state subsidy inhibited the business expansion in highly competitive MTP market.
- f) Crop business in FY 2018 & FY 2019 grew by 123% & 38% and contributed 54% and 60% respectively to the total GDP.
- g) The 4% MTP deficiency in FY 2020 was also caused by lockdown in the last part of March 2020.
- h) Motor sales slowed down in FY 2019 and turned negative in FY 2020. The TP business still grew more than the industry average.
- i) The insurer requested for exemption under clause 32D as it has been primarily engaged in Agricultural business with around over 50% contribution of the crop segment to the total GDP.
- j) Shortfalls during FY 2019 and FY 2020 were neither deliberate nor incidental and were due to factors beyond the company's control.
- k) The Company is committed to achieve MTP obligation for FY 2021 and thereafter and would also cover up shortfalls recorded during previous years.
- l) The earlier growth in total GDP was coming from crop business, but going forward, the growth would be coming from Motor business. The

participation in crop business would continue and the thrust will be given to increase the motor business.

- m) The Company has never refused "the liability only" policies.
  - n) The company did not make any disproportionate gain or take any unfair advantage on account of MTP shortfall nor has there been any loss caused to any policy holder and as such, there was no default under section 105C
  - o) The company would make continued concerted efforts to meet the TP obligations. This is evident in over-achieving of the MTP obligation by 38% in FY 2018. In FY 2019 and FY 2020, the Company missed by 9% and 4% respectively but assure to make the deficit good starting current fiscal itself.
- 12) Due to repetitive nature of non-compliance, Adjudicative Officer recommended a penalty of Rs. 1,00,00,000/- (Rupees One crore) each for FY 2018-19 and FY 2019-20.

Decision of the Authority:

- 13) The submissions of the insurer have been carefully considered. For the financial year 2018-19 and 2019-20, the Insurer did not fulfill the obligation and had shortfalls of Rs.39.12 crore (9.35%) and Rs.22.23 crore (4.37%) respectively. This amounts to non-compliance of Regulation 3 of IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015.
- 14) Taking into consideration the repetitive nature of violations, magnitude of violations, and the submission of the insurer that they have taken steps to meet the obligation for FY 2020-21 and beyond, the Authority, in exercise of its power vested as per the provisions of Section 105C of the Insurance Act, 1938, hereby imposes a penalty of **Rs. 15,00,000/- (Rupees fifteen lakh only) for FY 2018-19** and a penalty of **Rs. 10,00,000/- (Rupees ten lakh only) for FY 2019-20**.
- 15) Further, the insurer is advised to ensure strict compliance in future of the obligations under Motor Third Party business as specified in IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015.
- 16) Summary of Decisions:

Charge No.	Violation of Provisions	Decision
1	Non-Compliance with minimum obligations under Motor Third Party business as specified in IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015	i) For FY 2018-19 - Penalty of Rs. 15 Lakh only and Advisory



	for the financial years 2018-19 and 2019-20	ii) For FY 2019-20 - Penalty of Rs. 10 Lakh only and Advisory
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- 17) The total penalty of Rs. 25,00,000/- (Rupees twenty-five lakh only) shall be remitted by the insurer by debiting the shareholders' account within a period of 45 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@irdai.gov.in.
- 18) 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 Board meeting to the Authority.
- 19) 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: 5<sup>th</sup> May 2021

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