

Order No. IRDAI/BRK/ORD/MISC/101/7/2024

Date: 12<sup>th</sup> July, 2024

**Order of Insurance Regulatory and Development Authority of India under  
Section 102 of the Insurance Act, 1938  
in the matter of M/s Prowess Insurance Brokers Private Limited**

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**Based on:**

- i. Show Cause Notice (hereinafter referred to as "SCN") with reference No. IRDAI/INT/DB 368/07/Prowess/SCN dated 29<sup>th</sup> February, 2024, issued to M/s Prowess Insurance Brokers Private Limited (hereinafter referred to as "Prowess").
- ii. Response of Prowess dated 19<sup>th</sup> March, 2024, to the SCN.
- iii. The submissions presented by Prowess during the personal hearing held on 2<sup>nd</sup> May, 2024 at IRDAI, Hyderabad.
- iv. Further submissions by Prowess post personal hearing vide letter dated 18<sup>th</sup> June, 2024.

**Background:**

1. The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") received an application with reference URN No. BR-RNW-6978-2021 dated 18<sup>th</sup> August, 2021 from Prowess, having its registered office at 401, Charkop Sai Shrishti CHS Ltd., Plot No. 7, RSC-25, Sec-8, Charkop, Kandivali West, Mumbai – 400067, seeking renewal of its insurance broking registration for the period from 22<sup>nd</sup> September, 2021 till 21<sup>st</sup> September, 2024, to continue acting as Direct (Life & General) Insurance Broker in accordance with Regulation 14 of IRDAI (Insurance Brokers) Regulations, 2018 (hereinafter referred to as "the Regulations").
2. Upon scrutinizing the application, it was initially noted from the submissions of Prowess that during the previous period of its renewed registration, Prowess did not conduct any insurance broking business in Direct (Life & General) with insurers in India but rather only engaged in Risk Advisory / Risk Management Services with foreign insurance brokers, insurance companies and reinsurance companies.
3. Prowess was asked to furnish its comments regarding the aforementioned observation. In response Prowess stated that, since the last renewal, it was trying

to establish an International Financial Service Centre Insurance Intermediary Office (hereinafter referred to as "IIIO") in International Financial Service Centre - Gift City, Gandhinagar, Gujarat. Prowess submitted an application to IRDAI in 2019 for establishing the IIIO under the IRDAI (International Financial Service Centre Insurance Intermediary Offices) Guidelines, 2019 (hereinafter referred to as "the Guidelines"), and received approval on 17<sup>th</sup> August, 2020. While awaiting approval for the IIIO, it had temporarily shifted its focus of business towards Insurance Risk Advisory and Risk Management services to grab better business opportunities.

4. Additionally, Prowess was asked to furnish its explanation on the scope of services under Risk Advisory / Risk Management Services, the basis for the fees charged and whether formal agreements were in place for providing these services. Prowess responded by stating that comprehensive "Terms of Business" agreements were executed between Prowess and the counter parties (overseas insurance broker / insurance company / reinsurance company), based on which it earned revenue in foreign exchange. The Risk Advisory / Risk Management Services involved a thorough analysis of the risk associated with client onboarding by offshore insurance underwriters and risk analysis of clients for the use of foreign risk underwriters.
5. Later, Prowess was asked to submit Agreements / Mandates and corresponding reports for providing Risk Advisory / Risk Management Services to its clients. Prowess, however, responded by stating that no formal agreements were entered into and that business was conducted on the basis of good faith.
6. Prowess was asked to provide a comprehensive flow chart depicting its business model. In response, Prowess submitted the following step-by-step procedure outlining its business model:
  - a. Client introduces Prowess to the Insurance partners whom they have approached for the cover.
  - b. Prowess assist the client in the discussion, analysis and assessment of the insurance requirements of the overseas project and discussion on same with overseas insurance underwriter. Prowess assist the client in resolving the queries having experience of being the direct brokers.
  - c. Liaisoning between the client and the insurance underwriters by their query solving and understanding of the risk and mitigating the language barriers, if any.
  - d. If insurance underwriter agrees to write insurance cover, charging for advisory fee/premium payment for the service provided.





- e. Reviewing the risk underwritten and issued policy note.
7. Prowess was further asked to submit bank transaction details pertaining to the fiscal year 2017-18 and subsequent periods along with corresponding bank statements.
8. Prowess reverted with its submissions, wherefrom, it was observed that Prowess had conducted business activities for its clients from its Mumbai office and IIO with insurance brokers, insurance companies and reinsurance companies located abroad from fiscal year 2017-18 to 2020-21.
9. The Authority received information from the International Financial Services Centre Authority (hereinafter referred to as "IFSCA") that Prowess continued to transact business at IFSC-Gift City even after the expiry of its registration granted by the Authority. IFSCA shared the details of the business transactions conducted by Prowess for the fiscal years 2021-22 and 2022-23 and its inspection findings which revealed that Prowess engaged in a business transaction on 15<sup>th</sup> October, 2021, from its IIO. This transaction was conducted by Prowess after the expiry of its registration under the said Guidelines.

**SCN, Charges and Personal Hearing:**

10. Pursuant to examination of all the submissions of Prowess and the information received from IFSCA, an SCN dated 29<sup>th</sup> February, 2024 was issued to Prowess for the charges mentioned hereunder.
11. Violation of Reg. 2(f) and 13(1) of the Regulations which stipulates as follows:

*Reg. 2(f) - "Direct Broker" means an Insurance Broker, registered by the Authority, who for a remuneration and/or a Fee, solicits and arranges insurance business for its clients with insurers located in India and/or provides claims consultancy, Risk Management services or other similar services, permitted under these regulations"*

*Reg. 13(1) - "The Insurance Broker registered under these regulations shall act exclusively to carry on the business of an insurance Broker as permitted under these regulations"*

12. Violation of Clause 11 and 15(b) of the Guidelines which stipulates as follows:

*Clause 11 - "The authorization granted by the Authority for the first time shall be valid till the expiry of the certificate of registration issued by the Authority and thereafter for a period co-terminus with the expiry of the original certificate of registration"*



*Clause 15(b) - "The renewal of authorization shall be co-terminus with the period of certificate of registration of the insurance intermediary"*

13. Prowess responded to the SCN vide its letter dated 19<sup>th</sup> March, 2024. As requested by Prowess therein, a personal hearing was granted on 2<sup>nd</sup> May, 2024.
14. In the personal hearing, Prowess was represented by Ms. Priyanka Poddar (Business Head), Ms. Madhavi Patkar (Sr. Manager) and Mr. Umesh Chaubey (Sr. Manager - Accounts). The Authority was represented by Mr. Parmod Kumar Arora (Member-Actuary), Mr. Rajay Kumar Sinha (Member-F&I), Ms. Anita Josyula (CGM-HOD), Mr. K. Mahipal Reddy (CGM), Mr. Mohammad Ayaz (DGM) and Mr. Vishesh Diwan (Manager).

**Submissions of Prowess:**

15. The submissions of Prowess are summarized hereunder:

- a. Prowess offers consultancy services to foreign insurance companies engaged with Indian clients, focusing on regulatory compliance, conducting compliance checks, reviewing financial statements, assessing credit. Prowess helped its clients in increasing due diligence of businesses.
- b. The insurers for whom the services were rendered are not registered with the Authority. Further, Prowess does not find any restriction in the Broking regulations which expressly prohibits an insurance broker having office in Gift City to render risk management services to an insurer registered outside India. Prowess has always abided by the Regulations.
- c. In view of jurisdiction more particularly in African Region, certain jurisdictions, in order to avoid the intricate process of remitting funds in USD, adherence to multiple regulatory approvals, prefer to remit direct brokerage or commissions through reinsurance entities involved in the relevant risk.
- d. Prowess is not engaged in reinsurance services. Prowess is engaging in RMS (Risk Management Services) and co-broking by providing/offering consultation services pertaining to insurance matters to Indian Clients.
- e. Prowess had transacted business of Barents Re and some other entities from its Mumbai office before the grant of approval for IIO, on an experimental basis.
- f. Despite the pending license renewal, Prowess remained committed to providing insurance solutions and assisting existing clients in risk mitigation. Prowess served a diverse clientele, including top names in trading and manufacturing, large contractor and EPC players, as well as small and mid-size lenders





worldwide. Stopping operations would have put clients of Prowess at risk and restarting operations after a delayed license issuance poses substantial challenges and also hampers relationship with the clients. However, it is stated that Prowess had not serviced any new clients.

- g. Prowess was not aware about the expiry of its registration as the application for renewal of registration was under process. Prowess was continuously communicating with IRDAI during the processing of application for renewal of registration. Prowess did not receive any direction from IRDAI to stop business.
- h. Prowess was only servicing the existing clients and no new clients were onboarded after the expiry of its registration.
- i. Prowess is engaged in activities allowed to direct insurance broker. Prowess has provided risk management services etc. to the Indian Clients serviced by the Indian / foreign Insurer.
- j. Prowess agreed in the personal hearing that in one or two instances, it had conducted reinsurance business in order to retain its clients, due to which there were some violations. Prowess, however, undertakes not to engage in such activities in future.

**Observations of the Authority:**

16. The observations of the Authority on the matter are outlined below:

- a. The submissions presented by Prowess during examination of its renewal application, in response to the SCN and during the personal hearing were duly considered.
- b. The submissions of Prowess have been noted for their inconsistency and occasional lack of coherence.
- c. While Prowess frequently asserted its claim, it failed to conclusively establish that the services rendered were exclusively categorized as "Risk Management" services as per the Regulations, rather than being classified under Direct and Reinsurance business activities.
- d. Prowess in its submissions had admitted that, as per its business model, it dealt with the overseas insurance partners who agreed to write insurance cover.



- e. Prowess was unable to provide Agreements/Written Mandates and the corresponding reports concerning business activities for the fiscal year 2017-18 till 2020-21, thus lacking supportive documentation for its submissions.
- f. Prowess had to obtain a written mandate from the client to offer "Risk Management" services in terms of Reg. 27(4) of the Regulations and keep a record of the risk management services offered to the client which will include details such as name of the client, place of risk, nature and type of risk management services undertaken, amount of fee charged from the client, basis of fee charged etc.
- g. During the personal hearing, Prowess admitted to engaging in a few reinsurance transactions that contravened regulatory provisions.
- h. In order to provide one more opportunity to Prowess, Authority vide its communication dated 14<sup>th</sup> June, 2024 advised it to provide Agreements/Written Mandates, However, Prowess in its letter dated 18<sup>th</sup> June, 2024 reiterated its earlier submissions and stated that they had not entered into any formal agreements and did not provide any written mandate.
- i. Prowess had conducted business activities from its Mumbai office with insurance brokers, insurance companies and reinsurance companies located abroad and earned commission/remuneration. Prowess engaged in the abovementioned activities both prior to and post grant of approval for establishment of its IIO.
- j. Prowess, operating as a Direct broker, is exclusively permitted to conduct business transactions solely with insurers based in India. Additionally, it is not authorized to undertake reinsurance operations due to its classification as a Direct broker.
- k. Prowess by engaging in transactions with insurance brokers, insurance companies and reinsurance companies located abroad, violated the stipulations outlined in the Regulations.
- l. The submission made by Prowess that it did not receive any directive from IRDAI to stop business is untenable. The registration of Prowess remained valid until 21<sup>st</sup> September, 2021, and has not been renewed since. As per the Regulations, no insurance broker shall be allowed to do any fresh insurance business after expiry of the certificate of registration, except servicing the existing policyholders.
- m. Further, the assertion made by Prowess that it solely engaged in servicing existing clients following the expiration of its registration is unsubstantiated,



given that Prowess continued conducting business transactions after its registration had expired.

- n. Prowess, by engaging in business transactions after the expiration of its registration, violated the provisions outlined in the Guidelines.
- o. The Authority noted thirty-nine such occurrences on thirty-six days during the FY 2017-18 to FY 2020-21, wherein Prowess conducted business in violation of the relevant provisions outlined in the Regulations. Further, one transaction was conducted by Prowess after the expiry of its registration in violation of the relevant provisions outlined in the Guidelines.

**Decision:**

17. Given the facts and circumstances of the matter, the Authority finds that Prowess was in violation of Reg. 2(f) and 13(1) of the IRDAI (Insurance Brokers) Regulations, 2018 and Clause 11 and 15(b) of the IRDAI (International Financial Service Centre Insurance Intermediary Offices) Guidelines, 2019.
18. Accordingly, in exercise of the powers vested under Section 102(b) of the Insurance Act, 1938, the Authority hereby levies a penalty of Rs. 37,00,000/- (Rs. Thirty-Seven Lakhs only) for the above violations. The penalty shall be remitted by Prowess 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 for remittance may be sent to Mr. K. Mahipal Reddy, Chief General Manager (Intermediaries-Brokers) at the Insurance Regulatory and Development Authority of India, Sy. No. 115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad – 500032, email id – brokers@irdai.gov.in.
19. This Order shall be placed before the Board of Prowess at its next immediate meeting, so that the Board can take note of the violation and take necessary preventive steps to avoid such violations in future. Prowess shall provide the Authority with a copy of the minutes of the said meeting.
20. If Prowess 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.



(Parmod Kumar Arora)  
Member (Actuary)



(Rajay Kumar Sinha)  
Member (F&I)

Place: Hyderabad

Date: 12<sup>th</sup> July, 2024