



No. IRDA/ ENF/ORD/ONS/303/12/2021

**Final order in the matter of
PolicyX.com Insurance Web Aggregators Pvt Ltd**

[Based on the reply of M/s PolicyX.com Insurance Web Aggregators Pvt Ltd dated 27/05/2021, to the Show-cause Notice dated 06/05/2021 and submissions made during Hearing on 23rd July 2021 at 12:00 PM (through Video Conferencing), taken by Member (Distribution)].

Background:

1. The Insurance Regulatory and Development Authority of India (Authority) had conducted an inspection of PolicyX.com Insurance Web Aggregators Pvt Ltd (Web Aggregator or WA) during the period from 01/06/2020 to 05/06/2020, in order to examine overall regulatory compliance by the Web Aggregator. The Inspection findings were communicated to the web aggregator, for their comments on 28/08/2020 and the reply of the Web Aggregator was received vide their letter dated 15/09/2020. The show-cause notice was issued to the Web Aggregator on 06/05/2021, to which the WA submitted the reply, by its email dated 27/05/2021. In its reply, the web aggregator had requested for a hearing. Accordingly, the hearing of the web aggregator was conducted on 23/07/2021 through Video Conferencing.

On behalf of the Web Aggregator, the hearing was attended by Mr. Naval Goel, Principal Officer; Ms. Shikha Grover and Ms. Rashmi Agarwal. From the Authority Mr. Randip Singh Jagpal, CGM (Intermediary), Mr. P.K. Maiti, GM (Enforcement) and Mr. Vikas Jain, AGM (Enforcement) were present.

Charges, Submissions in reply thereof and Decisions:

2. Charge 1:

Violation of Para 9 (c) of Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

The Web Aggregator was not ensuring that the leads generated are concluded within three months of their generation and even then, the Web Aggregator has been paid remuneration from the concerned insurer. It was observed that there were 12,263 cases where the web aggregator received commission for sale of insurance product after three months from the date of lead generation. Same was verified from the lead management system of the WA.

3. Submission of WA:

The Web aggregator submitted that at times there are customers who visit the site again and seek assistance. The lead time that is recorded in the LMS is usually the first date of visit and thereafter the same lead is updated with a revisit time stamp. In such cases, when one sees the duration from first visit to sales conclusion, it seems like the customer has visited more than 3 months back, but in effect it is the same lead which is re-opened when the customer visits again. If a customer visits them again, they assist them and help them purchase the product. Such policies are booked under their code and hence they get remuneration for such sales. For the cases of more than a year, the WA submitted that these are the cases of renewals where at the time of renewal the policy will be tagged for the same lead because the customer does not visit their portal again to create a fresh lead at the time of renewal. The WA submitted that out of 12263 cases, 11021 were renewal cases where the policy was renewed with them after 1 year. In such cases, the leads are not created as the customer does not visit the portal again and the lead ID stored in the database is the lead created on first policy issuance. The remaining 1242 cases are the ones where the customer had visited within 90 days of concluding the sale.

4. Decision:

Post personal hearing, the WA submitted revised lead numbers and lead generation dates, in an attempt to show that all leads are generated within 90 days of solicitation. However, the original lead generation dates that were made available during the inspection and authenticated from their lead management system were different from that submitted post personal hearing. The revised data submitted post personal hearing is not tenable unless same is authenticated from that recorded in their lead management system and have the scope to construe as afterthought and manufactured. The web aggregator failed to demonstrate that the customers had revisited their portal and a fresh lead was generated and the policy issuance was completed within 3 months. The WA is cautioned for the lapse and directed to ensure compliance of the provisions of Para 9 (c) under Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

5. Charge 2:

Violation of Para 11 (i) of Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

It was observed that the Web Aggregator had sourced a Life Insurance policy wherein the annual premium was Rs. 3,00,012/- (Rs. 25001/- monthly premium X 12) which is more than the limit of Rs. 1,50, 000/-.

6. Submission of WA:

The WA submitted that in this single case of Policy No. 31676302, issued by the Insurer, there was a specific situation due to the following reason, the premium escalated once the policy was booked. The agent sourced this policy for an annual premium of approx. Rs. 62,156/- for a tenure of 44 years. Later on, the customer opted for a limited pay option under which he opted for a 5 pay plan due to which the premium increased from 5000/- to 17000/- per month. Later the same customer was offered a counter offer due to which the premium increased further to 25000/- per month.

Hence, at the time of initial booking, they had not violated any regulation in this regard but the changes made later to the policy increased the premium to an extent that it surpassed the limit of Rs. 1.5 lacs and it would have been highly inconvenient for the customer if they were to cancel the policy after this increase in premium.

7. Decision:

From the submission post personal hearing, it is clear that the WA submitted quotations both for Regular and Limited Premium options; through an email dated Dec 03, 2018. Hence the WA cannot absolve their responsibility for the non-compliance. The WA is cautioned for the lapse and directed to ensure compliance of Para 11 (i) of Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017; in letter and spirit.

8. Charge 3:

Violation of provisions of Note 2 to the Regulation 22(a) of IRDAI (Insurance Web Aggregators) Regulations, 2017.

From the Audited Financial Statements of the Web Aggregator for the FY 2017-18 and FY 2018-19, it was observed that a Schedule for providing the details of all the income received from insurers and insurer's group companies, was not provided by the Web Aggregator. During these years, as reported in the Services Ledger FY 2018-19 and FY 2017-18, the Web Aggregator was in receipt of Commission, Product Display Fees, Rewards. However, no schedule showing these receipts were reported in the Financial Statements. Thus the Web Aggregator did not prepare financial statements in line with IRDAI (Insurance Web Aggregators) Regulations, 2017.

9. Submission of the WA:

The WA submitted that the Auditor had prepared the Financial Statements keeping in view the aspects of all the Authorities like IRDAI, CBDT & ROC and they had missed out on this particular compliance, due to lack of knowledge at their end and they apologized for the mistake.



10. Decision:

The WA is cautioned for the deviation and is advised to ensure compliance with Regulation 22(a) of IRDAI (Insurance Web Aggregators) Regulations, 2017 in future, without fail.

11. Charge 4:

Violation of clause (c) under Form Q to the Schedule IV of Regulation 26 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

The Web Aggregator in its Article portion of the Home Page of the website i.e. www.PolicyX.com had posted promotional material and making publicity about 2 insurance companies, influencing the customers to buy the products of these two insurers.

The IRDAI (Insurance Web Aggregators) Regulations, 2017 stipulates that the Web Aggregators shall desist from commenting on insurers or their products in their editorials or at any other location in their websites. However, in the instant case, web aggregator has not followed the same. By having this kind of promotional material on its web site the Web Aggregator is trying to influence the decision of the customers visiting its web site and thus the web aggregator has failed to fulfil its function as the web aggregator by having a biased approach toward certain insurers.

12. Submission of WA:

The Web Aggregator submitted that they take utmost care to make sure that all the facts presented in their website are taken from insurance companies websites and are 100% accurate. They further submitted that in these two (2) particular cases, they had picked up the data directly from the Insurer's Website. The intention here was not to promote or comment on any Insurance Company and they understand the need for them to be neutral and unbiased so that customers are provided facts to help them take a fact based decision. They also submitted that now they have removed the same from their web site.

13. Decision:

Web Aggregator is supposed to provide the comparison of the products on its web site without favoring any particular Insurer and without influencing the decision of the customer. But it is evident from the documents present with the inspection observation that the web page of the WA was making publicity of selected Insurance companies on its web page and was trying to influence the decision of the customer in favor of those Insurance companies. Thus, the WA not in compliance with Clause (c) of Form Q to the Schedule IV of Regulation 26 of IRDAI (Insurance Web Aggregators) Regulations, 2017.



The Web Aggregator is cautioned for such deviations. Any such deviation in future would be viewed seriously.

14. Charge 5:

Violation of IRDAI Circular No IRDA/INT/CIR/CBD/197/08/2017 dated 24th August 2017

The Web aggregator was not updating the list of Authorized Verifiers on the data base of Insurance Information Bureau of India (IIBI) as required by IRDAI Circular No IRDA/INT/CIR/CBD/197/08/2017 dated 24th August 2017.

15. Submission of the WA:

WA submitted that they were unaware of such regulatory guidelines and circular and got to know about the said requirement at the time of the inspection and they have started uploading the data related to Authorized Verifiers on the database of the Information Insurance Bureau of India (IIBI). Regular updated list of Authorized Verifiers is being duly submitted to the Authority in the timely manner.

16. Decision:

The WA is cautioned for the non-compliance with IRDAI circular and is advised to ensure the compliance in future without fail. Any recurrence of similar lapse in the future will be viewed seriously.

17. Charge 6:

Violation of Regulation 18 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

It was observed that:

- a) The WA did not maintain a professional indemnity insurance cover throughout the validity of the period of the certificate of registration granted to them by the Authority.
- b) Actual Sum Insured for the policies for periods 17-18, 18-19 and 19-20 are less than that Required under the Regulation.
- c) It was also observed that coverage under the policy is not as envisaged under the Regulation.

18. Submission of WA:

The WA submitted that the Professional Indemnity Insurance during the first two years have been somehow missed with the actual coverage due to lack of knowledge of such insurance products and they were under the impression that the policy covers everything required by the Authority and they had immediately applied for the change in the last policy with a retroactive effective date of 14-11-2019 to include all risks required by the Authority



19. Decision:

The WA is cautioned for the lapse and is further directed to have the Professional Indemnity Policy with the appropriate Sum Insured and the coverages as specified under the Regulations, without fail. Any such deviation in future will be viewed seriously.

20. Charge 7:

Violation of clause 2(c) of Form L of Schedule III as per Regulation 20 of IRDAI (Insurance Web Aggregators) Regulations, 2017 and Clause 1(a) and 1(c) of Form L of Schedule III as per Regulation 20 of IRDAI (Insurance Web Aggregators) Regulations, 2017

The Web Aggregator failed to furnish the copies of the agreements with 3 insurance companies to the inspection team and it failed to intimate the Authority about the lapsed agreements with the insurers.

21. Submission of WA:

The WA submitted that they had entered into agreements with 24+ Insurance Companies and had also provided the same at the time of inspection. However, in one particular instance, the agreement could not be located at the time of inspection and they could not visit one of their offices due to lockdown. Regarding the termination of agreements, the WA submitted that these agreements entered into with the insurance companies are for a fixed time period and therefore they expire after the said period unless they renew it with a new agreement. Since at the time of entering the agreement, they had submitted the copy to the authority, they were under the impression that they need not inform the Authority if the agreement expires in its due course.

22. Decision:

The Submission of the WA is taken note of and the charge is not pressed.

23. Charge 8:

Violation of Para 6(a) and 6(b) of IRDA (Insurance Web Aggregators) Regulations, 2013 and clause 4(a) and 4 (c) of Form T of Schedule VI as per Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

It was observed that there were multiple instances where the persons engaged in the solicitation process did not possess the necessary qualifications and training. The policy issuance date for each Authorized Verifier as per data submitted, was compared against the date of examination pass & training completion as per the actual certificate of the Authorized Verifier.

Number of cases were identified where the Authorized Verifier had not passed the examination at the time of solicitation of insurance policies but passed at the later date and there were also many cases where the persons engaged in the solicitation process only completed the training but never passed the examination. Further, the sample



policies were examined in the lead management system of the insurance Web Aggregator to cross-verify the name of the Authorized Verifier and policy issuance date / lead date. This again confirmed the involvements of persons who never passed the examination or passed the examination at a later date.

Thus, it is concluded that the Web Aggregator engaged the persons who had not undergone the training or passed the examination for the purpose of business solicitation. The WA accepted that it has been soliciting insurance business without qualified and trained persons much before the notification of 2017 regulations. While Para 6 of IRDA (Insurance Web Aggregators) Regulations, 2013 clearly states that "the employees of the Web Aggregator involved in insurance solicitation and verification should have completed the fifty hours of theoretical and practical training on insurance from an institution recognized by the Authority from time to time and passed an examination, at the end of the period of training mentioned above, conducted by the National Insurance Academy, Pune or any other examining body recognized by the Authority".

24. Submission of WA:

The WA submitted that the regulations related to Authorized Verifiers came in the year 2017, however the reported violations are of the year 2017-2018. When the regulation was made applicable, they already had lots of employees who were soliciting business and then they came to know about the regulatory requirements, they started applying for AV exams, however the institutes did not have clearly defined procedures for these exams and therefore the exam dates were delayed. Also in some cases, the employees went for a dual attempt on failing the first attempt. As per the Insurance Institute of India, if an agent does not pass/ not appear for an exam then they have to wait for 3 months to reappear for the same exam. In this period, they were not in a position to let go off their existing employees. This process was new to the organization in the year 2017; so it took little time to drive the same.

25. Decision:

On analysis of 32 sample policies identified in the inspection observation, it was noticed that out of 32 policies, there were 14 cases where both lead generation and policy issuance dates are falling after 13-04-2017 i.e. the effective date of IRDAI (Insurance Web Aggregators) Regulations, 2017. Hence there are fourteen confirmed cases of engaging the persons who are not Authorized Verifiers as defined under Regulation 2(c) of IRDAI (Insurance Web Aggregators) Regulations, 2017, for solicitation of insurance products. Hence, the Web aggregator violated Clause 4(a) and 4(c) of Form T of Schedule VI read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017. By virtue of powers vested under Section 102 (b) of the Insurance Act, 1938, the Authority levies a penalty of Rs. 14,00,000/--(Rupees Fourteen Lakhs only), for the said violation (considering the violation persists for 14 days). The WA is further directed to ensure continuous compliance of Clause 4(a) and 4(c) of Form T of Schedule VI read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.

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Summary of Decisions:

26. The following is the summary of decisions in this order:

Charge No.	Brief Title of charge and the provisions violated	Decision
1	Charge: Completing issuance of policy after 3 months of lead generation. Provision: Para 9 (c) of Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.	Caution & Direction
2	Charge: sourcing non single yearly premium policy of more than Rs. 1.5 lakh.. Provision: Para 11 (i) of Form T read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017.	Caution & Advisory
3	Charge: Not submitting disclosure to Authority. Provision: Regulation 22(a) of IRDAI (Insurance Web Aggregators) Regulations, 2017.	Caution & Advisory
4	Charge: Promoting the insurers on its web site. Provision: Clause (c) of Form Q to the Schedule IV of Regulation 26 of IRDAI (Insurance Web Aggregators) Regulations, 2017	Caution & Advisory
5	Charge: Not updating the list of Authorized Verifiers on the data base of insurance information Bureau of India (IIBI). Provision: IRDAI Circular No IRDA/INT/CIR/CBD/197/08/2017 dated 24 th August 2017.	Caution & Advisory
6	Charge: Not having PI Policies as prescribed by the Regulations. Provision: Regulation 18 of IRDAI (Insurance Web Aggregators) Regulations, 2017	Caution & Advisory
7	Charge: Not providing copies of agreements to the Authority. Provision: Clause 2(c) of Form L of Schedule III as per Regulation 20 and Clause 1(a) and 1(c) of Form L of Schedule III as per Regulation 20 of IRDAI (Insurance Web Aggregators) Regulations, 2017.	Not pressed
8	Charge: soliciting insurance through tele marketing and distance marketing by persons other than AVs.	Penalty of Rs. Fourteen Lakhs and direction



	Provision: Para 4(a) and 4(c) of Form T of Schedule VI read with Regulation 29 of IRDAI (Insurance Web Aggregators) Regulations, 2017	
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Conclusion:

27. As directed under the respective charge, the penalty of Rs. Fourteen Lakhs shall be remitted by the Insurance Web Aggregator 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 Mr. Prabhat Kumar Maiti, General Manager (Enforcement) at the Insurance Regulatory and Development Authority of India, Sy. No. 115/1; Financial District; Nanakramguda; Gachibowli; Hyderabad – 500032.

28. The Web aggregator shall confirm compliance in respect of the above decision, within 21 days from the date of receipt of this order. The order shall be placed in the upcoming Board meeting and the Web Aggregator shall submit a copy of the minutes of the discussion.

29. If the Web aggregator feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Insurance Act, 1938.

Sd

Date: 6th December 2021
Place: Hyderabad.

(S.N. Rajeswari)
Member (Distribution)