



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

IRDA/DB-064/03
29th December, 2008

To
The Principal Officer,
M/s. Hindustan Insurance Brokers Ltd,
117/489, Pandu Nagar, (Opp. Temple Gate)
Kanpur-208 005 (UP).

**Re: Order under Regulations 38 of IRDA (Insurance Brokers)
Regulations, 2002 for cancellation of Broker License**

Hindustan Insurance Brokers Ltd, (hereinafter referred to as the 'Broker') having its Registered Office previously at 25/1-A, Karachi Khana, The Mall, Kanpur-208 001 (UP) was granted a license by the Insurance Regulatory and Development Authority (hereinafter referred to as the 'Authority') to act as a Direct Insurance Broker, vide License No. 141 valid from 4th April, 2003 to 3rd April, 2006 and further extended till 3rd October, 2008.

The Authority received a complaint dated 8th December, 2004 from Ms. Simran Sidhu against the Broker, in which, she inter alia alleged that Mr. Sandeep Narain, Principal Officer of the Broker had induced her to become the Regional Manager of the Broker at Ludhiana by asking her to invest Rs.5 lakhs as equity and in return promised to reimburse her 90% of the commission earned by her Branch.

In order to verify the veracity of the complaint, in exercise of the powers conferred upon it under Regulation 33 of the Regulations, the Authority appointed Mr. Ravinder Minocha, as an Investigator on 24th November, 2005 to investigate into the affairs of the Broker.

Upon conclusion of the investigation, the investigator submitted his report under cover of his letter dated 25th Jan, 2006. A copy of the said report was sent to the Broker with an advice to submit its comments to the same. In response dated 24th April, 2006, the Broker challenged the findings therein.

Thereafter, in accordance with the provisions of Regulation 36 read with Regulation 37 of the Regulations, the Authority initiated enquiry proceedings against the Broker and vide order dated 25th Jan, 2007 appointed Shri J.P. Jain as the Enquiry Officer to inquire into the alleged acts of omissions and commissions committed by the Broker. Upon conclusion of the said proceedings, the Enquiry Officer submitted his report to the Authority.

In terms of the findings contained therein, the Broker alleged to have failed to comply with the following provisions of the Regulations and the Insurance Act, 1938:



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1. Regulation 21 of IRDA (Insurance Brokers) Regulations, 2002 and the provisions regarding your conduct in matters relating to the sales practices as contained in Clause 3(b) of Schedule III of IRDA (Insurance Brokers) Regulations, 2002 relating to the code of conduct stipulated for brokers.
2. Section 42D of the Insurance Act, 1938.

The Authority after carefully going through the complete records including the report dated 5th October, 2007 of the Enquiry Officer, Shri J.P. Jain issued a show cause notice dated 30th July, 2008 under Regulation 38 (1) of the IRDA (Insurance Brokers) Regulation 2002 as to why appropriate action should not be initiated against the Broker under the provisions of the Insurance Act and the Regulations for the aforesaid violations.

In its response dated 26th August, 2008, the Broker denied the charges as unwarranted and challenged the allegations raised therein and the findings of the Investigator.

The Authority after consideration of the enquiry report and Broker's reply to the show cause notice dated 30th July, 2008 came to the view that the charges pertaining to running of franchisee/ sub broker offices at Ludhiana, Meerut and Delhi had been adequately substantiated and the conduct of the Broker is not in accordance with the Code of Conduct specified in Schedule III of Regulation 21 of IRDA (Insurance Brokers) Regulations, 2002.

On the basis of above, the Authority issued notice dated 22nd October, 2008 for cancellation of the Direct Broker License of the Broker and granted an opportunity to make its written submission on the proposed action and/or choose to appear in person before the Authority.

The Broker represented by Sri. Amit Kumar, Principal Officer & Director, Sri. Deepak Singhal, Director and Sri. Ambrish Gupta, Sr. Manager Accounts & Administration appeared in person before the Authority's officers on 4th November, 2008 at Authority's Office, Hyderabad and also submitted written submissions vide letter dated 4th November, 2008.

The Authority has carefully examined the contentions raised by the Broker in written submission dated 4th November, 2008, its reply to the show cause notice, the inspection report, the enquiry report, Broker's comments thereon and all other relevant material on record and conclude as under in respect of each of the charges cited below.

(1) Running franchise / sub broking at Meerut:

Apart from stating in the written submission that even as per the enquiry report the charge has not been substantiated, the Broker has not stated anything afresh in its defence. It goes on to state that its Meerut office was never in existence.



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The enquiry report clearly records that the website of the company showed Meerut as an operating office. It is also recorded in the enquiry report that Mr. Yogendra Agarwal was the resident marketing officer of the company at Meerut. This information is corroborated in the investigation report dated 24th Jan '06 of Mr. Ravinder Minocha, which clearly states that Meerut office commenced operations with effect from April '05 and as per the records (ledger), the office earned a brokerage of Rs.1, 29,999 and Mr. Yogendra Agarwal withdrew his salary for 4 months in October '05.

Hence, the charge that the Broker was running franchise outfit at Meerut is proved beyond reasonable doubt.

(2) Running franchise / sub broking at Delhi:

The written submission of the Broker that its Delhi office was a branch and not a franchise / sub broking office is accepted in view of the evidence cited.

(3) Running a franchise / sub broking at Ludhiana:

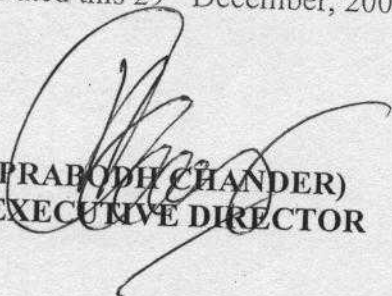
In its written submission, the Broker states that it had given autonomy to Ms. Simran Sidhu, who misused the autonomy and there has been no lack of control on the part of the head office of the broker.

The enquiry officer has held that the charge of a franchise / sub broking office at Ludhiana is partly proved and the enquiry report gives a detailed reasoning of the enquiry officer as to how he has arrived at this conclusion.

The Authority, therefore, comes to the conclusion in respect of (1) & (3) above, the broker has violated section 42(D) of the Insurance Act, 1938 and Regulation 21 of the Brokers Regulations read with Clause 3(b) of Code of Conduct.

Now therefore, having regard to the nature and the gravity of the charges established, the facts and circumstances of the case, the Authority in exercise of powers vested in it under Regulation 34 (1) of the IRDA (Insurance Brokers) Regulations 2002, hereby cancels the license No. 141 issued to Hindustan Insurance Brokers Ltd with immediate effect.

Dated this 29th December, 2008 at Hyderabad.


(PRABODH CHANDER)
EXECUTIVE DIRECTOR