

Ref:IRDAI/INT/ORD/MISC/103/05/2022

**ORDER**

**Under Section 42D(8) of the Insurance Act, 1938**

in the matter of

**Deinon Risk Services Private Limited**

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**Based on**

- (i) Show Cause Notice (hereinafter referred to as “**SCN**”) dated 30.09.2020 issued by Adjudicating Officer appointed by the Authority;
- (ii) Reply of M/s Deinon Risk Services Pvt Ltd (hereinafter referred to as “**Deinon**”) dated 01.10.2020 to the SCN;
- (iii) Submission made by Deinon before the Adjudicating Officer during virtual personal hearing on 16.10.2020;
- (iv) Report of Adjudicating Officer dated 22.01.2021;
- (v) Authority’s letter dated 08.02.2021 forwarding report of Adjudicating Officer and offering Deinon an opportunity of personal hearing in the matter;
- (vi) Reply of Deinon dated 27.02.2021 to the Authority’s letter dated 08.02.2021.

**Background**

1. The Insurance Regulatory and Development Authority of India (hereinafter referred to as “**Authority**”) received an email dated June 15, 2020 from Corporate Insurance Cell of Reliance Industries Ltd, Mumbai (hereinafter referred to as “**Reliance**”), seeking the registration status of Deinon & M/s PIIQ Risk Partners (hereinafter referred to as “**PIIQ**”), stating that they had been approached by Deinon vide email dated June 03, 2020, offering services in respect of aviation insurance business.
2. Since the entity was not registered with the Authority, an explanation was sought vide letter dated July 14, 2020 from Deinon as to the basis for offering “Aerospace (Re) Insurance Services” to Reliance.
3. Deinon responded vide letter dated July 20, 2020, submitting that their activities are business analytics and business support, valuations, risk evaluation and studies and various other technological solutions to industry including the aviation insurance industry, which does not warrant registration with the Authority.

4. It was however observed from the email of Deinon dated June 03, 2020 sent to Reliance that Deinon had offered their services to Reliance as follows:

*“This agreement offers our Partners and clients a unique skill set and depth of resource and the PIIQ-Deinon Solution will deliver expertise, innovation and access to the Global Insurance markets aligned with Geographic and Regional relationships and understanding, which they believe would deliver a bespoke and personalized service in Aerospace (Re)Insurance”.*

5. As per the said Email, Deinon had offered **access to Global Insurance Markets** in Aerospace (Re) Insurance, which only a registered reinsurance/composite broker can do. As per the communication of Deinon to Reliance, it appeared that Deinon had acted in the capacity of an insurance intermediary by offering such services, without being registered with the Authority, which is in violation of section 42D(8) of the Insurance Act, 1938 (herein after referred to as “**the Act**”). Accordingly, as per Section 105C of the Act read with Insurance (Procedure for Holding Inquiry by Adjudicating Officer) Rules, 2016 (herein after referred to as “**the Adjudication Rules**”), the matter was referred to the Adjudicating Officer of the Authority, for holding an inquiry against Deinon.
6. The Adjudicating Officer sought information from National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited, United India Insurance Company Limited, GIC Re, HDFC Ergo General Insurance Company Limited, ICICI Lombard General Insurance Company Limited and TATA AIG General Insurance Company Limited regarding the correspondence exchanged, if any, with Deinon. From the information received from these insurers, it was observed that M/s United India Insurance Co. Ltd. received a submission of Shree Airlines (foreign inward renewal) from Deinon vide email dated June 21, 2020. Since Deinon was found to be not registered with the Authority, M/s United India Insurance Co. Ltd. subsequently dealt directly with PIIQ, i.e. insurance broker based at London. M/s Oriental Insurance Co. Ltd. informed that officials of Deinon were included in the insurer’s correspondence with PIIQ in respect of three inward aviation insurance acceptances viz. M/s US Bangla (from Bangladesh), M/s Regent Air (from Bangladesh) and M/s Tashi Air (Bhutan).
7. Subsequently, the Adjudicating Officer initiated the proceedings under sub-section (8) of Section 42D of the Act, and issued an SCN vide ref no. IRDAI/ADJ/Deinon/2020-21 dated September 30, 2020 to Deinon seeking their response, in terms of Rule 4 of the

Adjudication Rules and Section 105C of the Act for the alleged violation under Section 42D(8) of the Act.

8. Deinson vide their letter dated October 1, 2020 submitted their response to the SCN and requested the Adjudicating Officer to provide a convenient date for personal hearing. The Adjudicating officer, in terms of Rule 4(3) of the Adjudication rules, provided an opportunity of personal hearing on October 16, 2020.
9. The Adjudicating Officer submitted the inquiry report along with recommendation on January 22, 2021. On examination of the Adjudicating Officer's report, a letter dated February 08, 2021 was issued to Deinson forwarding report of the Adjudicating Officer and offering another opportunity of personal hearing under Section 105C(2) of the Insurance Act, 1938. Deinson, vide email dated June 17, 2021 confirmed that they did not wish to have a personal hearing.
10. The submissions made by Deinson to the SCN vide their letter dated October 01, 2020, submissions made during personal hearing held on October 16, 2020, recommendations of the Adjudicating Officer and response of Deinson dated February 27, 2021 have been carefully considered.

11. **Charge**

**Violation of Section 42D(8) of the Insurance Act, 1938:** Deinson has violated Section 42D(8) of the Act by acting in the capacity of insurance intermediary without being registered with the Authority, to act as such.

12. **Deinson's submission:** Deinson submitted as under:

- i) Their objective was to provide business support service including business analytics, valuations, risk evaluation, insurtech solutions to insurance industry clients (this does not include all the services they provide to other Industries), and with that intent they sent a communication to companies worldwide to present services they can provide with no intention or desire to provide (re)insurance broking nor did they believe this was in contravention of the IRDAI regulations on (re)insurance broking.
- ii) On concern regarding their business support services vide Authority's letter dated July 14, 2020, they discontinued any idea or plan of business support services to Indian companies despite there being an "outsourcing policy" as they did not wish to leave any room in the "understanding" of this policy. They also indicated in their

reply dated July 20, 2020 that should their promoters choose to venture into the business of insurance broking or providing insurance products, they would first approach the Authority to seek the necessary approvals and registrations to undertake those lines of business with the incorporation of a new company, before commencing any such activities. The letters dated July 20, 2020 and October 1, 2020 highlight the intentions of promoters based on which an application to register a Company “Deinon Insurance Brokers Private Limited” with the ROC on September 7, 2020 was made. An application for NOC to the Authority was emailed on September 8, 2020.

- iii) The objective of Deinon is to provide services outside the area of Insurance and Reinsurance Broking in India and as permitted worldwide, but it would seem from the adjudication that Deinon has erred in the services they provide. It was further stated by Deinon that penalty should not be based just on a company announcement, but on what the Company has done. Separately as mentioned earlier, Deinon believes that they are in compliance and if there has been any non-compliance, Deinon had acted promptly on receiving Authority’s communication dated July 14, 2020. Deinon also provided a CA certificate certifying that Deinon has not raised any invoice nor received any amounts towards brokerage or fees from their clients on account of any insurance broking activity or services.
- iv) Deinon disagrees with Authority’s assessment that the present case is similar to Confiance International Reinsurance Brokers LLC and Unison Insurance Brokers Services Private Limited based on the above and there is no involvement of Deinon in any aspect of the placement other than an e-mail content to ensure it was received.
- v) Deinon had no intention to engage in (re)Insurance Broking activities and has never falsely represented themselves as an Insurance Intermediary as the company’s strategy is clear to ensure that they engage transparently with clients. Where Deinon’s staff has communicated with an insurance company providing business support services, they were representing the “Principal”, meaning “a person/organization who has legal responsibility for what a business or organization does”.
- vi) The observations by the esteemed authority have been taken with great seriousness and have been adhered to with no debate or dispute. Deinon does not agree that the observations constitute any intent to function as an Insurance broker and certainly, no business was intended or transpired.

vii) The observations have resulted in imposing the maximum possible penalty under the law despite no revenue being earned by the Company from the above-mentioned activities and the evidence and explanation provided. The observations have resulted in the Authority not granting an NOC to incorporate Deinson Insurance Brokers Private Limited, which intends to be a separate company adhering to all requirements of licensing and operations as per the information available on the IRDAI website.

viii) Deinson feels that the penalty is harsh. With reference to their staff and present pandemic and business situation and the time elapsed to resolve the matter, Deinson is prepared to settle and continue to plead their innocence in this matter.

### 13. Decision of the Authority

The submissions of Deinson have been carefully considered, and the following are noted:

- i. Deinson has sought to explain the activities/services performed by them as business analytics, business support, valuations, risk evaluation, etc. However, it was observed from Deinson's correspondence with insurers that their role was not limited to business support/risk consultancy and Deinson was playing an active part in foreign inward reinsurance placements as mentioned above. For all practical purposes, Deinson was acting as an extended arm of PIIQ, a foreign insurance broker, for placing foreign inward reinsurance. Though there is no bar on an Indian Insurer accepting foreign inward reinsurance placement directly from a foreign insurance broker, Deinson acting as an Indian representative of the foreign insurance broker, PIIQ, is unlawful.
- ii. Mr. Azeem Kanjiani, CEO, Deinson, vide letter dated October 19, 2020, submitted correspondence of Deinson with insurers in a few cases. One of the attachments was an email dated July 13, 2020 of Mr. Rohit Singh, President, Deinson addressed to M/s Oriental Insurance Co. Ltd. In this mail, it is clearly stated that he has approached M/s Oriental Insurance Co. Ltd. on behalf of their principal (PIIQ) for 2020-21 placement of Tashi Air. Mr. Rohit Singh has attached the BOR, Signed Slip by Swiss Re, Signed Leader terms, Information & Exposure details, etc. with the email. Therefore, it was admitted by Deinson's own submission that they performed the functions of an insurance broker.
- iii. The following functions of a registered Reinsurance broker (delineated in the Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2018 (SCHEDULE I – Form A) are observed to have been performed by Deinson:

- Familiarizing himself with the client's business and risk retention philosophy.
  - Rendering advice based on technical data on the reinsurance covers available in the international insurance and the reinsurance markets.
  - Maintaining a database of available reinsurance markets, including solvency ratings of individual reinsurers.
  - Rendering risk management services for reinsurance.
  - Selecting and recommending a reinsurer or a group of reinsurers.
  - Negotiating with a reinsurer on the client's behalf.
  - Acting promptly on instructions from a client and providing it written acknowledgements and progress reports.
14. After due examination of available records, reply of Deinon to the SCN, submissions made during personal hearing and having considered all the facts and circumstances of the matter, the Adjudicating Officer had submitted his report under sub-section (3) of section 105C of the Act. In the said report, the adjudicating officer has recommended to impose a penalty of Rs.10,00,000/- (Rupees Ten Lakh only) under sub-section (8) of section 42D of the Act.
15. Subsequently, vide letter reference no. IRDAI/ADJ/DEINON/01/2020-21 dated February 8, 2021, the Adjudicating Officer's report was shared with Deinon, seeking their comments. In response, Deinon, vide letter dated February 27, 2021, submitted their comments. In the said reply, Deinon reiterated their submissions, inter-alia, stating that Company has been incorporated with the intent of providing business analytics and business support, valuations, risk evaluation, and studies, and various other technological solutions to all industries, including the aviation industry. Also, Deinon vide letter dated October 01, 2020 had mentioned that no business had since happened with Reliance nor has any further communication was exchanged with Reliance. Deinon further stated that they have not performed any of the services to be performed by registered insurance/re-insurance brokers, as stipulated under law. They had requested the Authority to drop the Adjudication proceedings.
16. It was observed that Deinon had only furnished the explanation which predominantly was already submitted in their earlier submissions. No additional document was submitted in support of their clarifications.
17. As per section 105C(2) of the Act, before taking a final decision on the matter, the Authority vide email dated April 22, 2021 advised Deinon to specify whether they desire personal hearing on the matter. Deinon, vide email dated June 17, 2021, confirmed that they do not wish to have a personal hearing on the matter.

18. In view of the above and after taking into consideration all the facts, circumstances and material available on record of the case, the Adjudicating Officer's findings that Deinon has violated section 42D(8) of the Act is established. Deinon, by acting in the capacity of insurance intermediary by offering and transacting such services, without having a registration from the Authority is in violation section 42D(8) of the Act. Accordingly, in terms of powers vested with the Authority under section 42D(8) read with Sub section (2) of Section 105C of the Act, a penalty of Rs.10,00,000/- (Rupees Ten Lakh only) is hereby imposed on Deinon.
19. The amount of penalty shall be remitted by Deinon through NEFT / RTGS (details of which will be communicated separately) within a period of 30 days from the date of receipt of this order. An intimation of remittance by Deinon may be sent to Shri. A.R. Nithyanantham, Chief General Manager (Intermediaries), IRDAI, Sy. No. 115/1, Financial District, Nanakramguda, Hyderabad - 500032.
20. If Deinon feels aggrieved by the above decision of the Authority, an appeal may be preferred to the Securities Appellate Tribunal as per Section 110 of the Act.

**Date: May 23, 2022**  
**Place: Hyderabad**

Sd./-  
**(Debasish Panda)**  
**Chairman**