

Ref. 559/F&A(NL)/IPO/GoDigit/23-24/73

10th October, 2023

Ms. Jasleen Kohli,
MD and CEO,
Go Digit General Insurance Limited,
1 to 6 Floor, Ananta One (AR One),
Pride Hotel Lane, Narveer Tanaji Wadi,
City Survey No.1579, Shivajinagar,
Pune - 411005 Maharashtra.

Madam,

Madam,

RE: Advisory and Caution pertaining to Various Regulatory non compliances observed in the Go Digit General Insurance Limited.

This has reference to the various correspondence exchanged on above cited subject, resting with your letter dated 10th September, 2023.

2. **Change in ESAR scheme to ESOP scheme:** The insurer has submitted that the ESAR scheme 2018 has been replaced by ESOP Scheme. In this regard, your attention is drawn to the fact that while seeking approval of the Authority for the remuneration to the CEO, approval for grant of ESAR to the CEO was also taken. Accordingly, any change in the ESAR scheme to ESOP scheme which presumably also applies to the CEO would also require specific approval of the Authority. However, from the records it is observed that no such approval has been obtained. The insurer is cautioned to take all necessary approvals as applicable hereafter.
3. **Grant of ESAR from Retrospective date:** The insurer framed the ESAR scheme in the year 2018. The aforesaid scheme did not have a provision of retrospective issuance of ESAR. However, some of the employees/directors of the insurer as well as it's promoter company, were granted ESAR from a retrospective date (i.e. 1st April 2017). The said date of grant of ESAR, were even prior to the date of grant of the certificate of Registration (i.e. 20.09.2017) to the applicant. Further, in its response, the insurer has submitted that it had made promise to some of its employees regarding the grant of ESAR from retrospective date, whereas, the same was not explicitly informed at the time when the application of grant of Certificate of Registration was being considered by IRDAI. The insurer is advised to keep the Regulator duly informed of all such matters.
4. **Amortization of Commission on long term policies:** The DRHP filed with IRDAI indicates that the commission on long term policies has been amortized. In its response dated 10.09.2023 the insurer has submitted that "*it was felt that the language of the reply submitted by the Company earlier*

in this regard is not clear. We confirm that the commission on long term policies has not been amortized by the Company. Acquisition costs are expensed in the year in which they are incurred".

From the submission made by the insurer it is evident that the insurer has not made proper disclosure in the DRHP. The insurer is cautioned to ensure that due care is taken while making any disclosure including DRHP/ RHP to reflect the correct position.

- 5. Payment to promoter towards facility management services and technology services:** Insurer has submitted that the promoter has acquired certain building space and software from third parties and has provided the same to insurer. In this process, the promoter is charging mark up over and above the payment made to third party. During the meeting held with the insurer, it was indicated that the said arrangements shall be discontinued at the earliest possible date. You are advised to confirm to the IRDAI once the said arrangements are discontinued.
- 6. Internal Control:** The foregoing observations, as detailed in para 2-5 above, also indicates that the company does not have internal control commensurate with its size and operations. You are advised to strengthen the internal control in the insurer commensurate with its size and operations.

You are also advised to place this communication before the Board of Directors, Audit Committee and Nomination and Remuneration Committee of the insurer in its respective ensuing meeting and submit the extracts of the minutes of the said meeting within 7 days from the date of said meeting.

Please acknowledge the receipt of this communication.

Yours faithfully,

(Mahesh Agarwal)
General Manager