

Publication: Mint

Date: Friday, 13th June, 2014

Edition: National

Digital insurance policies to start soon

Irda to start a pilot project in July; will make it mandatory for to digitize some life policies

As the next step towards digitizing insurance policies, the Insurance Regulatory and Development Authority (Irda) has flagged off a pilot insurance repository system for two months starting July this year.

An insurance repository can store all your policies electronically under a single electronic insurance account or e-insurance account. Irda has registered five insurance repositories—NSDL Database Management Ltd, Central Insurance Repository Ltd, SHCIL Projects Ltd, Karvy Insurance Repository Ltd and Cams Repository Services Ltd. As part of the pilot project, all life insurers will have to tie up with all five repositories and change at least 1,000, or 5% of existing individual policies, whichever is less, into demat format. They will also have to issue at least 1,000, or 5% of the total individual policies, whichever is less, issued during these two months in electronic form for each insurance repository subject to a minimum of 500 policies (250 new and 250 existing) per repository.

Also, during this period, the note stated, an insurer will not deny any request for conversion of existing policies or for issuance of new policies into electronic format from any policyholder.

The pilot launch has been initiated as the response to the insurance repository system was weak. Since the system was started in September last year, only seven out of the 24 life insurers have tied up with all the five repositories so far. Insurers' reluctance to adopt the system can be largely attributed to the associated costs.

"One of the critical factors affecting a smooth take-off of the system is the failure on the part of insurers and repositories in arriving at a price structure commensurate with the scope of services being offered and volumes involved," Irda said in a statement on the pilot launch.

For customers, opening an e-insurance account and subsequently holding insurance in demat form is free of cost, but not for insurers. Further, insurers also have to bear the additional expense of digitizing existing policies, for which they would have paid the policy issuance costs already.

Ironing out creases

Irda is reviewing the bottlenecks and will come out with guidelines on insurance repository soon. In the meantime, the pilot project has been initiated so that insurers are able to integrate their systems with those of the repositories to ensure a smooth transition.

In terms of remuneration, unless already decided between the insurer and the insurance repository through existing agreements, the fee that the insurer will need to pay to the repository will be capped at Rs.60 for new policies and Rs.40 for existing policies. Irda is expected to come out with the final guidelines along with the timeline soon after the pilot is implemented.

“This is a huge development and a positive step for two reasons. One, digitization helps customers hold their financial assets in one place. And second, it allows for a lot of cost saving. Even as the costs (for the insurer) have been capped at Rs.60, I believe it can come down to less than Rs.10 after it becomes mandatory because the repository will save on intermediary cost,” said P. Nandagopal, managing director and chief executive officer, IndiaFirst Life Insurance Co. Ltd.

An e-insurance account can be opened either directly with any of the insurance repositories or through an insurer. At the time of selling a policy, the insurer will have to hand out the e-insurance account form and provide the option of choosing any of the repositories. After the account is opened, the insurer will collect the account details from the repository and feed them into the policy document. Existing customers can approach the insurer and fill up the account opening form themselves. The insurance repository will hold the policy in electronic form in one place. Digitizing your insurance policy has many benefits—no risk of losing documents; all policies are held in one place under one e-insurance account; and your know-your-customer (KYC) requirements are taken care of as well. This means that the next time you buy an insurance policy, you needn't go through the KYC process again; the insurer can get the details from the repository you hold an account with. Plus, it's easier to effect changes. For example, if you want to change your address, all you need to do is change it in your e-insurance account and the repository will update it for all your policies.

“Apart from easy access, the potential of the e-insurance account is huge. Say, a policyholder has three policies, but the nominee is aware of only one. While making a death claim, the insurer would log the claim and this will get updated in the policyholder e-insurance account as well,” said S.V. Ramanan, chief executive officer, Cams Repository. “This will help us in reaching out to the authorized representatives of the policyholder and inform them of other policies in the account,” he added.

Insurance repositories will also be responsible for providing mandatory information such as status of policy, net asset value and bonus, nominee, premium due date, the grievance tracking system, transaction history and claims status history, among other things, in a format that can be downloaded and printed. Insurance repositories will also



need to send SMS and email alerts on premium and maturity claim updates. For now, the demat facility is applicable to life insurance policies and in due course will be extended to non-life policies as well.

A Joint Venture of

