

E-Insurance launched; IndiaFirst offering demat for all policies

IRDA's Insurance Repository System is going online. Insurers will save money with the green initiative due to less paperwork, mailing and one-time KYC. But will they pass on the savings to customers?

In a move to lower the costs for insurance companies and bring transparency to policyholders, finance minister P Chidambaram on Monday launched the Insurance Regulatory and Development Authority (IRDA)'s Insurance Repository System (IRS). The System will help insurers to save costs on printing and dispatching policies.

IndiaFirst Life Insurance is amongst the first to offer all life insurance policies in demat format. Its press release states, "The electronic insurance account will do away with the need for KYC norms like address and identity proof for every purchase and will bring in all the benefits of demat to the insurance business, including automatic reminders for premium."

According to IRDA's senior official, Life Insurance Corp of India (LIC) spends Rs600 on storing each policy. With e-insurance, insurance companies will save crores of rupees every year on storing of physical insurance documents, mailing and repeat KYC. According to IndiaFirst press release, "Insurance companies will have a huge cost incentive in encouraging customers to hold their policies in electronic form." But, will the savings be passed to policyholders with increased bonus or lower premium? Unlikely, because insurance companies will be paying the 'insurance repositories' for maintaining the data in an electronic format. The savings on dematerialisation of stocks has not been passed on to customers (i.e. shareholders), so why would it be any different this time?

According to Dr P. Nandagopal, CMD, IndiaFirst Life Insurance, "Going forward, we will also implement the demat format for low cost plans especially micro insurance. In these cases the costs saved will automatically be transferred to the customer. This will be taken into consideration while designing the plan itself."

IRDA recently said that five companies have been given the status of insurance repositories and are provided with a licence that will be valid till 31 July 2014. Insurers can enter into agreements with one or more repositories. The five companies are: NSDL Database Management Limited, Central Insurance Repository Limited, SHCIL Projects Limited, CAMS Repository Services Limited and Karvy Insurance Repository Limited.

The repository will give a unique number to every individual and all his life insurance policies will come under that account. The IRS will also have digitised non-life insurance policies soon. The data maintained by the repository will include history of the claims of the individual. It will also have the names of the beneficiaries, assignees and nominees. There is no trading of insurance policies in demat form and, hence, this facility may be of limited use for the customer.

Procedure for opening an e-Insurance account:

- Download the e-Insurance Account opening form from the IndiaFirst website
- Fill the form and provide the KYC documents (attested)
- Send the filled e-Insurance Account application form to IndiaFirst

- e-Insurance Account form will be sent to the respective IR (Insurance Repository) by IndiaFirst
- IR (Insurance Repository) will generate the e-Insurance Account number on the basis of information in the account opening form and inform the e-Insurance Account number to IndiaFirst Life
- IndiaFirst will credit the policy information in electronic form against the customer e-Insurance account on IR portal
- IR will intimate customer on successful upload of his policy in e-Insurance account