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Move will reduce costs, say insurers

Digitisation of insurance policies and electronic insurance account facilities will significantly reduce costs for insurers. According to P. Nandagopal, Managing Director and Chief Executive Officer, IndiaFirst Life Insurance, the initial cost incurred by an insurer while issuing a policy for the first time ranges between Rs 150 and 200.

"Thereafter, servicing of every policy costs between Rs 75 and 100. But in demat format or electronic insurance it is expected to cost as low as Rs 25," he told Business Line on the side lines of a function to launch the insurance repository system by Finance Minister P. Chidambaram here on Monday. IndiaFist Life now has made all its policies available in electronic mode and has begun issuing applications for opening e-insurance accounts to coincide with the launch of insurance repository.

A.K. Sahoo, Executive Director and Head - Life Insurance Corporation -South Central Zone, said given the magnitude of polices, electronic insurance would also free human resources, in addition to saving on costs. "We welcome this and if digitisation is made mandatory in future it will be very beneficial for all," Sahoo said. Dematerialisation of policies will help insurance companies address issues of keeping contacts , delivery of documents, managing policies and KYC norms. "It will also help in checking frauds and mis-selling, and increase transparency. Over time, this will allow companies to have improved access to a wider consumer base within India," said T.R. Ramachandran, MD and CEO, Aviva Life Insurance.

With more customers preferring to make transactions online, repository services will further encourage this trend, say experts. From the customer point of view, apart from convenience and speed, it would be easy for them to understand various products and benefits by comparing insurance with other options of investments while taking decisions, said Amarnath Ananthanarayanan, MD and CEO, Bharti AXA General Insurance Company.