

Getting insurance money just got easier

you will soon be able to get details of unclaimed policies on your insurance company's website

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Did you surrender your life insurance policy, but forgot to collect the cheque from your insurer? Help is at hand. From early next year, your insurer's website will not only carry details of unclaimed sums of money but will also have a provision wherein you can enter basic details, such as your name and date of birth, to locate any unclaimed money.

In an amendment to an earlier circular mandating electronic settlements by insurers, Insurance Regulatory and Development Authority (Irda) has asked the companies to upload information on unclaimed money as well by 31 January 2015, along with a tool to help policyholders locate their money. The information put up will contain the latest details as of December, which will subsequently be updated on a half-yearly basis.

Unclaimed money is an amount that is due to policyholders or nominees in the form of death claim, maturity claim, survival benefits, premiums refunds or indemnity claims but has not been claimed for more than six months since the settlement date.

In February, Irda had made electronic settlement mandatory to reduce the amount of

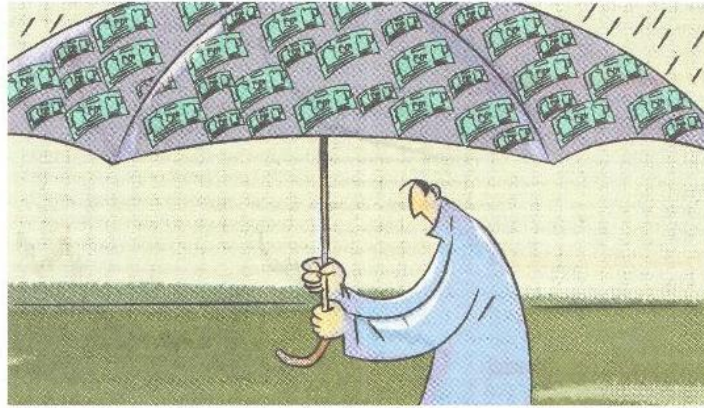
unclaimed funds lying with the insurers. *Mint Money* takes you through the rules on electronic transfer and the recent changes brought by the amended circular in August.

Too big to handle

In February, worried about the growing amount of unclaimed funds, Irda asked all insurers to pay policyholder claims such as maturity benefits or insurance claims by electronic transfers only from FY15. According to the regulator, in FY13, close to Rs5,000 crore was lying unclaimed with insurance companies. This according to Irda is because settlements such as claims or maturity payments happen largely through cheques and demand drafts, which are prone to clearance delays, and, if they are time bound, to rejection. Change of address is yet another reason for pending claims. Electronic transfers on the other hand facilitate quick and direct payments.

"For the customer, the speed of service delivery improves as the money is transferred to her account instantly. And she doesn't have to wait for the cheque to be dispatched by the insurer, or the courier to arrive and then go to her bank to deposit the cheque. For the insurance companies, too, the process is simple, fast and allows end-to-end visibility," said Anasuya Ghosh, head operations, IndiaFirst Life Insurance Co. Ltd.

Electronic transfer is mandatory for new policyholders. At the time of selling the policy, insurers have to collect bank details as well. For existing policyholders, electronic



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transfer is optional.

To pay death claims through electronic transfer, Irda's circular asked insurers to collect bank account details of the nominee. The February circular, however, exempted small policies from electronic transfer. Life insurance policies where the payment amount is lesser than Rs10,000, or Rs 25,000 for non-life policy, were exempt.

The circular also asked insurers to display the unclaimed amounts on their website to help policyholders.

Spot your money

To make the job easier, insurers now have to offer a facility on their website, by 31 January, where a policyholder can enter details such as policy number, Permanent Account Number (PAN), date of birth and others to find out details of any unclaimed amount. The

policyholder's name and date of birth will be compulsory fields, whereas PAN and policy number can be optional.

To save the insurers the trouble of putting out details of very small claims, the latest circular mandates the companies to publish details if the unclaimed amount is more than Rs1,000.

The amended circular has also put in place new exemptions. Now all term insurance policies, along with policies that have an annual premium of up to Rs25,000, can be excluded from an electronic transfer.

Term policies provide pure insurance cover and charge only for that. If the policyholder dies, the nominee gets the sum assured; if the policyholder survives, she doesn't get anything during or at the end of the term. Since there are no payments apart from

the sum insured that's payable to the nominee, these policies are exempt. However, bank account details of the nominee will have to be collected at the time of a claim.

"Other plans, which also invest your money, pay not only the maturity benefits in case the policyholder survives the term but also have a surrender value built in if you decide to quit midway, or the plan is designed to offer periodic payments. In such cases, electronic transfer helps," said Kapil Mehta, managing director, Se-cureNow Insurance Brokers Pvt. Ltd.

The circular also exempts policies issued to policyholders with accounts in co-operative or regional rural banks from electronic transfer as their banks may not have the facility. However, exempting policies with annual premium of up to Rs25,000 is likely to fil-

ter out a huge chunk of such policyholders.

"The average premium of a life insurance policy is about Rs15,000, and these are bought by people with bank accounts that have electronic transfer facility. A threshold of Rs25,000 seems high because it effectively exempts a large number of customers from electronic transfer. This should be reviewed, as a lower threshold will encourage electronic transfers to many more," added Mehta.

According to the latest annual report of Irda (FY13), in the case of Life Insurance Corporation of India, the largest life insurer, the average premium per policy sold through the agents was Rs11,143 and Rs24,123 for corporate agents. For the private sector, these levels were around Rs24,457 and Rs33,562, respectively.

What should you do?

These changes will come into effect from October this year. Even as electronic transfer has been made mandatory, this is something that many insurers already follow. So, if you are an existing policyholder, you should check with your insurance company and opt for receiving the payments through electronic transfer to make your life easier.

As far as unclaimed money goes, the information is already available on the websites of all insurance companies. Go to the insurer's website to locate any unclaimed amount, and stake your claim on it.

While these steps make your life a lot easier, you still need to be smart about which insurance policy you are buying.