



IAS PARLIAMENT

Information is Empowering
A Shankar IAS Academy Initiative

Dematerialisation of Insurance Policies

Why in news?

The Insurance Regulatory Development Authority of India (IRDAI) has mandated dematerialisation of new insurance policies by December 2022.

What is IRDAI circular about?

- By December 2022, all the new insurance policies will have to be compulsorily issued in a dematerialised form.
- By December 2023, all the old or existing policies will have to be brought on demat platform.
- From November 2022, the eKYC is becoming mandatory.
- The insurance company will pay for all the costs associated with the conversion in the online form and policyholders will not have to pay any fees for the e-insurance policy.

What is insurance dematerialisation?

99.9% of equity transactions take place in the demat mode, as per the Securities and Exchange Board of India (SEBI).

- Dematerialisation entails the conversion of physical policies into modifiable digital documents.
- The policies will be issued digitally and will be kept in an **e-insurance account (eIA)** of the customer.
- The regulator is keen on developing a digital platform called "**Bima Sugam**" for selling, servicing, and settling claims.
- Insurance policies could be dematerialised with insurance repositories that maintain the data of insurance policies in electronic form on behalf of insurers.
- Currently, there are four insurance repositories.
 - NSDL National Insurance Repository
 - CDSL Insurance Repository
 - Karvy Insurance Repository
 - CAMS Insurance Repository Services

e-insurance account (eIA) is the portfolio of insurance policies of a proposer/policyholder held in an electronic form with an insurance repository.

What is the need for such a move?

- The main objective of the move is to promote ease of doing business for insurers and ease of access and services for policyholders.
- The regulator is promoting dematerialisation to ensure robust electronic mode of policy solicitation, servicing, and storage.
- The regulator on a single dashboard can oversee the entire sector's activities leading to better monitoring and regulatory oversight of the industry.
- This is important for life insurance industry, which is likely to touch 100 billion dollars in premium receipts.

What are the benefits from dematerialisation?

- **Benefits for policyholders-** The eIA holder can keep track of insurance policies (life, non-life, including health) under one platform.
- Servicing of policies will be easier.
- Policyholders can borrow against the policies held in electronic form just like pledging of shares.
- **Benefits for insurers-** Insurers will save considerably on costs, especially on printing and delivering of policies.
- **Others-** Holding an e-insurance policy would not only be convenient but also eco-friendly and at the same time reduce frauds.

What are the limitations of this system?

- **Cost-** The added cost of facilitating eIA opening could be a problem from insurers' perspective.
- **More Services-** For the electronic insurance account to carry utility value as high as what demat share accounts do, more services would need to be offered.
- At present, eIAs do not offer the full range of services that policyholders can utilise.

References

1. <https://www.thehindubusinessline.com/blexplainer/bl-explainer-all-about-dematerialisation-of-insurance-policies/article65909354.ece>
2. <https://www.moneycontrol.com/news/business/personal-finance/mc-explains-soon-you-may-have-to-hold-your-insurance-policies-in-dematerialised-form-9174281.html>
3. <https://www.financialexpress.com/money/insurance/your-money-benefits-of-demat-insurance-policies/2671930/>
4. <https://www.financialexpress.com/money/insurance/what-is-bima-sugam-and-who-will-benefit-from-it/2701227/>

Quick facts

Bima Sugam

- Bima Sugam will be a one-stop platform for all insurance needs, right from buying the policy to claim settlement and much more.
- Under Bima Sugam, there will be E-BIMA or E-IA account for policyholders in a Demat format.
- It shall allow the following insurance services:
 - Buy insurance policy
 - Claim Settlement
 - Agent Portability
 - Policy Portability
- It will be accessible by insurers, agents, intermediaries and customers.
- Bima Sugam shall have linkages with UIDAI, NSDL, CDSL, etc.

Insurance Regulatory and Development Authority of India (IRDAI)

- IRDAI is an autonomous and statutory body responsible for managing and regulating insurance and re-insurance industry in India.
- It is a 10-member body (a chairman, five full-time members and four part-time members) appointed by the Government of India.
- It was constituted under IRDAI Act, 1999.
- The agency's headquarters is in **Hyderabad**.



IAS PARLIAMENT
Information is Empowering
 A Shankar IAS Academy Initiative