

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:232
ANSWERED ON:09.12.2011
INSURANCE POLICIES
Reddy Shri Modugula Venugopala

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of a large number of insurance policies being lapsed, both under the Private and the Government sectors;
- (b) if so, the number of policies lapsed, during each of the last three years alongwith the value thereof. Sector-wise and the reasons therefor;
- (c) whether the maximum number of lapsed policies related to the private insurance companies and if so, the facts thereof;
- (d) whether private insurance companies have allegedly resorted to unethical practices including sale of policies on misleading claims and if so, the details thereof; and
- (e) the corrective action taken by the Government in this regard?

Answer

The Minister of Finance (Shri Pranab Mukherjee)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NUMBER 232 REGARDING 'INSURANCE POLICIES' RAISED BY SHRI MODUGULA VENUGOPALA REDDY, MEMBER OF PARLIAMENT, TO BE ANSWERED ON 9.12.2011.

(a) to (c): As per the Insurance Regulatory and Development Authority (IRDA) the number of non-linked life insurance policies lapsed along with sum assured during each of the last 3 years is as under:

Sectors	2010-2011		2009-2010		2008-2009	
	Policies lapsed (in lacs)	Sum Assured (Rs. in Cr.) (in lacs)	Policies lapsed (in lacs)	Sum Assured (Rs. in cr.) (in lacs)	Policies lapsed (in lacs)	Sum Assured (Rs.incr.) (in lacs)

Public Sector (LIC)	114.83	89860	97.44	114767	73.73	52926
---------------------	--------	-------	-------	--------	-------	-------

Private Sector	25.68	68435	26.06	100033	17.33	46617
----------------	-------	-------	-------	--------	-------	-------

Total	140.51	158295	123.50	214800	91.06	99543
-------	--------	--------	--------	--------	-------	-------

(d) and (e): The details of grievances registered with IRDA on misselling by the private insurance companies are as under:

Year	Total policies sold in the year with IRDA	Number of mis-sale complaints registered policies sold	% of mis-sale complaints to total
------	---	--	-----------------------------------

(1)	(2)	(3)	(4)
-----	-----	-----	-----

2009-10	14356538	858	0.005
---------	----------	-----	-------

IRDA has taken the following measures to ensure development of a healthy insurance market in the country:

- a) Issuance of regulation on Protection of Policyholders Interests Regulations, 2002 to protect the interests of the policyholders at the point of sale as well as post sale activities;
- b) Issuance of regulation on Insurance Advertisement and Disclosure Regulations, 2000 to ensure transparent, fair and true portrayal of all relevant information to purchase a policy;
- c) Issuance of regulation on Licensing of Insurance Agents Regulations, 2000 and consequent guidelines to ensure that agents are competent enough to solicit and advise on insurance needs;
- d) Mandating insurance companies to put in place an efficient system of grievance redressal and establishment of IRDA Grievance Call Centre (1GCC) and Integrated Grievance Management System (IGMS) that facilitates prompt and efficient resolution of grievances besides identifying systemic and policy related issues for corrective action by the insurance companies;
- e) The Authority on 20th September 2011 has notified guidelines on persistency of policies i.e. percentage of policies in continuity to the total number of policies. As per these guidelines Agents are required to maintain an average persistency rate of 50%. The licence of the agent is renewed only if this condition is met.
- f) Strengthening the mechanism of on site inspections.