

WHY IS INSURANCE REPOSITORY THE NEED OF THE HOUR?

Relevant for: Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

In India, an insurance repository—the first of its kind in the world—was launched on 16 September 2013; it is a database of insurance policies.

When covid-19 hit the world in ways that no one could have predicted, digitization started taking place in every industry to cope with the pandemic. Amid these changes, insurance repositories emerged as a boon for the insurance sector, facilitating e-insurance. They made it easier for people to track policies on one platform and to make corrections if needed online.

In India, an insurance repository—the first of its kind in the world—was launched on 16 September 2013; it is a database of insurance policies. The Insurance Regulatory and Development Authority of India (Irdai) initially granted certificate of registration to the following entities to act as insurance repositories: NSDL Database Management Ltd, Central Insurance Repository Ltd, SHCIL Projects Ltd, Karvy Insurance Repository Ltd and CAMS Repository Services Ltd. In September 2015, SHCIL Projects Ltd surrendered its insurance repository licence, bringing down the number to four at present.

Amid the covid-19 pandemic, norms of social distancing and the paradigm shift towards business operations taking place online, insurance repository services have helped people hold insurance plans in the demat form. One can keep one's insurance policies in an electronic insurance account (eIA) with an insurance repository. Even if one has policies from multiple insurance companies, they can be stored in the same account. Each eIA will have a unique account number and each account holder will be granted a unique login ID and password to access the same.

Covid-19 has hugely influenced the insurance markets globally. According to a report on insurance markets published in June by the Organization for Economic Cooperation and Development (OECD), insurance companies experienced a slowdown in gross premiums written in 2020, especially in the life insurance sector.

They stated that on average, non-life insurance premiums grew by 1.2% in 2020, while life insurance premiums declined by 2.2%. Interestingly, the assets of the insurers remained mainly invested in bonds and were successful in achieving a positive gain despite the odds.

Although insurance repositories have been present since 2013, only when the pandemic hit have people come to realize its advantages over traditional brick-and-mortar mode insurances.

First, on being stored in an electronic form, one does not have to worry about the risk of losing the physical document. Also, it is easier to track all policies as everything is stored in one single platform. Further, one gets a dashboard view of all the policies held and also see on a calendar the premium payments related to various policies held. This helps the policyholder plan better in terms of ensuring equitable cash flow. Further, all types of policies namely motor, health, etc. can be held under the same eIA.

In the event of the untimely demise of the policyholder, the eIA allows the person's heir or beneficiary to access all the policies from one account and then initiate the process to get the

benefits of the deceased released. Keeping covid protocols in mind, accessing everything from the comfort and safety of one's home is the best practice. The paperwork, too, gets reduced and updating and changing your personal details becomes faster and hassle-free. Repositories have made sure that all these facilities are being offered to their customers in a hassle-free manner.

Moreover, the fact that it costs nothing to open an eIA or hold the services in the demat form makes it more attractive. The only thing that one needs to do is to fill up a request form for conversion and submit the same to the insurer, which will be later safeguarded by the respective repository. Repositories ensure the interests and secure fair treatment of policyholders by acting as a one-stop shop for policy servicing.

It will be interesting to see how insurance repositories evolve in the new normal. The profitability of insurance repositories will largely depend on their financial investment performance, which is again linked to developments in the financial markets and inflation rates.

Ramkumar K. is chief of business and operations, CDSL.

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