

Ulips, which once fuelled insurance boom, now lie largely unclaimed

OVER ₹5,000 CR AND COUNTING

INSURER	March 2012	March 2013	March 2014
LIC of India	674.6	1,105.8	1,548.1
Reliance Life	46.0	618.3	1,502.4
Bajaj Allianz	168.2	423.0	544.1
ICICI Prudential Life	317.1	412.9	432.5
SBI Life	52.4	234.2	281.0
HDFC Standard Life	351.7	165.4	241.3
Birla Sunlife	200.1	220.5	221.1
Aviva Life	176.0	165.7	201.9
Exide Life	56.1	72.5	159.2
Max Life	213.8	136.3	155.5
Total*	2,476.2	4,001.3	5,848.9

*Total unclaimed amount with 24 life insurance companies (In Rs Cr) SOURCE: Finance Ministry

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NEW DELHI, AUGUST 27

THE life insurance industry that was awash with sales of unit-linked insurance plans (Ulips) during the boom years of 2005-08, is now witnessing an unprecedented surge in unclaimed policies.

The primary reason for this staggering sum is the payments glitch in Ulips upon maturity, driven mainly by agent attrition since 2010.

At the end of March 2012, unclaimed policies totalled Rs 2,476 crore. It has since swelled 136 per cent and touched Rs 5,848 crore as on March 31 this year.

Industry insiders say that in several cases, insurers have not been able to transfer payments to beneficiaries due to incorrect address and inability to verify a true claimant. This has particularly been so in Ulips with a 3-5 year maturity that were foreclosed.

“While a lot of investors could not be traced for lack of updation of their change in address, a rise in agent attrition after 2010 has also resulted into a rise in unclaimed money as the agents are directly in touch with the investors,” said an industry official requesting anonymity.

He, however, added that between 2005 and 2008 the Ulip sales for some insurers rose to a high of up to 85 per cent of the total policies sold.

This was also a period where numerous cases of mis-selling had cropped up leading to a crackdown by the insurance regulator Irda.

While 20 out of the 24 life insurance companies saw a rise in the unclaimed amounts over the last two years, four players — LIC, Reliance Life, Bajaj Allianz Life and ICICI Prudential Life — accounted for almost 70 per cent of the total unclaimed amount.

LIC and Reliance Life have unclaimed amounts of

THE BULK of the unclaimed policies have been accounted by the top four life insurers — Life Insurance Corporation of India, Reliance Life, Bajaj Allianz Life and ICICI Prudential Life

Rs 1,548 crore and 1,502 crore, respectively.

Over the last one year, the unclaimed amount with the LIC and Reliance Life rose by 40 per cent and 143 per cent, respectively, and in absolute numbers, the jump for Reliance Life was the highest among all insurers — from Rs 618 crore in March 2013 to Rs 1,502 crore in March 2014.

A spokesperson for Reliance Life said the numbers over 2013-14 were not comparable. “The figures are not comparable since the definition of revival and lapse period for Ulip policies differ from company to company. In some case the policy never lapses till maturity while others like Reliance Life take a more stringent view and the policy lapses after non-payment of certain number of premiums and is reported accordingly,” the spokesperson said.

In February, Irda had expressed its concern over the step rise in unclaimed policies. The insurance regulator had then attributed the reason for increase in the amount to lack of awareness among the dependents about the insurance policy taken by the insured and also because of delay in settlement of the claims/maturity amount as they are done through issuance of cheques and demand drafts.

Further Irda mandated the settlement of dues to policyholders through electronic mode and also the display of unclaimed amounts on their websites by insurers.