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**FINANCIAL LITERACY AND CONSUMER
EDUCATION INITIATIVES OF IRDA – A STEP
TOWARDS LITERATE POLICY HOLDERS**

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Financial Literacy and Consumer Education Initiatives of IRDA – A Step towards Literate Policy Holders

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Abstract – At the time of the opening up of the insurance sector, the levels of insurance diffusion and insurance density were very low. One of the main reasons for such low level is the lack of awareness about the insurance products and the benefits derived from policies. IRDA, as insurance sector regulator, has been playing a pro-active role in promoting insurance education since its beginning and has adopted a strategic approach to enhance consumer awareness. Insurance education helps a consumer to understand their needs and risks, ascertain choice of insurance policies for managing various risks, appreciate value of holding an insurance product and to know about the do's & don'ts before and after purchase of an insurance policy. Stepping up its efforts to increase insurance awareness, IRDA celebrated IRDA Foundation Day (April 19) as Insurance Awareness Day. Insurers were also advised to organise programmes on this day for promoting Insurance Awareness among members of public. Various seminars were also conducted by consumer bodies and NGOs, a Research Grant Scheme promoting applied research in insurance was also floated. The present paper is an attempt to analyse various financial literacy and consumer education initiatives undertaken by IRDA as a regulator of insurance Sector.

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INTRODUCTION

It has become a common phenomenon that certain corrupt elements are making calls to general public indicating that they are agents of IRDA and make alluring offers of bonus, high returns and other such fictitious benefits thereby committing frauds in the name of insurance company. Such calls not only cause public to lose money through payment to such frauds but also to invest in policies that they do not need. Such things have dual negative impact- one is on the policyholders' interests and other is on the image of the insurance sector at large. This has forced IRDA to think about investor education and build awareness among members of public.

IRDA's strategy of publicity and consumer education has been encompassing both in-house programmes and supporting/sponsoring external programmes and encouraging all stakeholders to promote insurance awareness among the public by stepping up its efforts for insurance education. During the FY 2013-14, IRDA has taken a number of consumer education initiatives under the brand name "Bima Bemisaal." The present paper relates to all those initiatives undertaken under the initiative.

FINANCIAL LITERACY INITIATIVES

Various initiatives taken by IRDA during the last year are:

- IRDA has launched Hindi version of its consumer education website and introduced a games section 'Young Corner' targeting children to learn insurance in a playful manner.
- For the first time, IRDA published wall calendars and desk calendars with insurance messages carrying relevant pictures to depict the messages.
- IRDA published four handbooks viz. Role of Insurance Surveyors, Life Insurance Riders, Householders & Shopkeepers Insurance and Insurance Sector's Grievance Redressal Mechanism for the benefit of policyholders.
- IRDA sponsored eight seminars conducted by consumer bodies and NGOs in rural, semi-urban areas viz. Nigohan (District Lucknow, UP), Chittoor (Andhra Pradesh), Bhubaneswar (Orissa), Raiganj (Dist. Uttar Dinajpur, W.B), Nagaon (Assam), Mysore

(Karnataka), Semaria (District Rewa, M.P) and Itanagar (Arunachal Pradesh).

- IRDA launched a Research Grant Scheme promoting applied research in insurance with focus on policyholders' protection and insurance inclusion.
- IRDA also celebrated IRDA Foundation Day (April 19) as Insurance Awareness Day. Insurers were also advised to organise programmes on this day for promoting Insurance Awareness among members of public.

It is essential to spread financial literacy across all citizens of the country equipping them with knowledge, skills and confidence required to make an informed choice while choosing any financial product. The Government of India, Ministry of Finance, through Financial Stability and Development Council (FSDC), has formulated the National Strategy for Financial Education (NSFE) and advised all financial sector regulators to implement the same within a time frame of five years. NSFE aims to promote a smoother and more sustainable co-operation between regulators and stakeholders, avoid duplication of resources and allow development of articulated and tailored roadmaps with measurable and realistic objectives based on dedicated national assessments. IRDA along with other financial sector stakeholders has been playing an active role in the implementation of National Strategy for Financial Education.

A Special Institute called National Centre for Financial Education (NCFE) has been established under National Institute of Securities Market (NISM) to implement NSFE with representatives from all financial sector regulators. NCFE has conducted National Financial Literacy Test for School Children during financial year 2013-14 and all stakeholders including IRDA were involved in this endeavor. NCFE is also working with CBSE and NCERT for inclusion of financial literacy in the school curriculum.

INITIATIVES TOWARDS POLICYHOLDER'S PROTECTION THROUGH LEGISLATIONS

The framework of regulations for an insurer or an agent or intermediary to protect the interests of prospects and policyholders are contained in the IRDA (Protection of Policyholders' Interests) Regulations, 2002. The Regulations contain procedure to be followed at the point of sale and proposal stage, disclosures to be made in life insurance and general insurance policy document, claim procedure in respect of life insurance and general insurance policy and policy servicing.

IRDA (Advertisement and Disclosure) Regulations, 2000 and other guidelines relating to advertisements are aimed at ensuring that any communication (including that on the internet) which directly or

indirectly results in eventual sale or solicitation of policy should not be unfair or misleading but should contain fair information to the customers about the product on offer so that the customer can take an informed decision about choosing the insurance product he is being offered.

In order to ensure that only licensed persons or institutions engage in prospecting and sale of insurance products, IRDA has issued regulations for licensing. These regulations are IRDA (Licensing of Insurance Agents) Regulations, 2000 for individual insurance agents; IRDA (Licensing of Corporate Agents) Regulations, 2002 for corporate agents; IRDA (Insurance Brokers) Regulations, 2013 for insurance brokers; and IRDA (Web Aggregators) Regulations, 2013 for web aggregators. These regulations mandate compliance of the agents, corporate agents, brokers and web aggregators with the code of conduct prescribed therein to ensure that the persons soliciting insurance business should be eligible persons and that they disseminate the requisite information in respect of insurance products offered for sale, understand the policy being sold and should be capable of making suitable advice based on the customer needs so that the policy offered / sold meets the requirements of the prospect. They are also required to provide after sales service like renewal, assistance in making claim etc.

With the increasing recourse taken by insurers, corporate agents and brokers to solicit policies (including lead generation) through modes like telecalling, SMS, email, internet, DTH, postal mail which do not involve communication in person but in distance mode; IRDA issued Distance Marketing Guidelines. The requirements to be complied with at the time of offer, negotiation and conclusion of sale are aimed at affording protection to prospects and policyholders taking recourse to distance marketing channels.

IRDA has issued guidelines on File and Use of products both in life and non-life. In terms of these guidelines every insurer is required to seek approval of products by making an application to IRDA. Along with the application, the insurer should furnish specimen policy bond, specimen proposal forms, specimen sales literature and statement of financial projections. Similar procedure has to be followed for change in terms and conditions. Even in case an insurer wants to withdraw a product, it can do so only after informing IRDA and giving reasons for withdrawal. These guidelines ensure that only approved products are sold to members of public.

The IRDA (Non-Linked Product) Regulations 2013 and IRDA (Linked Product) Regulations 2013 governing non-linked and linked life insurance products are aimed at ensuring consistency in terms of products respectively and features offered by the insurers and bringing in transparency in terms of benefit payouts thereby enabling the customers to choose the right policy.

IRDA (Health Insurance) Regulations 2013 lay greater emphasis on features of the product, standard declaration in the proposal form, greater transparency and disclosures in sales literature and disclosures on the web portals to disseminate suitable information for decision making, etc. The guidelines on standardization in health insurance provide standardization of several aspects in health insurance such as definitions for commonly used terms in health policies, nomenclature and procedure for critical illness, pre-authorization and claim form, list of excluded expenses in hospitalization benefit policies, file and use application, customer information sheet and agreement between Insurer & Third party Administrator and Insurer & Provider (Hospital). These guidelines prevent ambiguity and ensure greater consistency in interpretation, which is in the general interest of policyholders.

The grievance redressal guidelines to insurers enable each insurer to have a uniform system for receiving, acknowledging and resolving grievances within specified time limits; and to appoint an officer designated as Grievance Redressal Officer at not only the Head Office/Corporate office level but also at every other office.

IRDA has provided channels for customers to raise their grievances against insurers. These include online grievance portal www.igms.irda.gov.in and a toll free grievance call centre (155255). The complaints registered through these channels also are taken up with insurers for resolution and advice to the complainants.

Insurance Ombudsman, functioning under the Redressal of Public Grievances Rules, 1998 serves as a simple, inexpensive and expeditious conciliatory and adjudicatory mechanism for settlement of complaints on certain grounds of complaint relating to personal lines of insurance.

IRDA has constituted a committee for not only for strengthening the Policyholder Protection Regulations but also to propose a Model Citizen Charter for insurance companies.

GRIEVANCE REDRESSAL AND CONSUMER EDUCATION

Grievance Redressal Guidelines of IRDA mandate that all insurers should have a Board approved grievance Redressal policy, designate a Grievance Redressal Officer at the senior management level at the Head Office/Corporate Office/Principal Office and a Grievance Redressal Officer at every other office and constitute a policyholder protection committee as per the corporate governance guidelines for receiving and analyzing reports relating to grievances. The guidelines mandate each insurer to put in place automated systems for online registration and tracking of complaints as well as systems of receiving

grievances by call or emails and integrate these systems with IRDA.

In order to provide alternative channels to receive complaints against insurers, IRDA has set up IRDA Grievance Call Centre (IGCC) which receives and registers complaints through a toll free number and also furnishes the status of resolution. IRDA has also put in place the Integrated Grievance Management System (IGMS) as an online system for grievance management that not only offers a gateway for registering and tracking grievances online but also as an industry-wide grievance repository for IRDA to monitor disposal of grievances by insurance companies. IGCC has an interface with IGMS; and through IGMS, IRDA has an interface with grievance systems of insurers.

Prospects and policyholders are advised to first file their complaints with the respective insurance companies. If the insurance companies do not attend to the complaints within the stipulated turnaround time of 15 days or the complainant is not happy with the resolution, he/she may escalate the complaint to IRDA. IRDA facilitates resolution through review/reexamination by taking up the matter with the insurance companies. However, IRDA does not investigate into or adjudicate upon each complaint received or escalated to IRDA. In case the complainants are not satisfied with the resolution, they may have to take up the matter for adjudication by the insurance ombudsman or any other appropriate forum or court as the case may be.

Consumer Affairs Department is also actively engaged in consumer education with a view to building insurance awareness. Insurance, being a complex financial product, requires special knowledge to understand the nature of insurance products on offer, their utility and their terms and conditions. The consumer education initiatives of IRDA are aimed at ensuring that the consumer identifies his needs, understands the insurance products and the risks involved therewith so that he takes an informed decision while purchasing insurance.

Insurance awareness campaigns by IRDA are carried out through all possible channels including print and electronic media viz. newspaper ads and publication of handbooks/comic books, radio/television, internet, seminars, social websites like You tube etc. The consumer education website www.policyholder.gov.in hosts a lot of insurance related information of interest to the public in simple language. In order to enhance the reach of the material, IRDA has launched a Hindi site and also prepared the books in major regional languages so that the information can be made available to the people across the country in the language of their choice.

IRDA is focusing now on the distribution of the material developed for which IRDA is collaborating

with the insurance industry, other regulatory bodies, Financial Literacy Centres, Common Service Centres etc., and using all available alternative channels used to reach people across the nation for disseminating insurance awareness, thereby creating the demand push for enhancing the levels of insurance inclusion.

IRDA is also an active participant in implementing the National Strategy on Financial Education by working with other financial sector regulators towards imparting financial literacy from early stages of one's life.

CONCLUSION

Insurance education helps a consumer to understand their needs and risks, ascertain choice of insurance policies for managing various risks, appreciate value of holding an insurance product and to know about the do's & don'ts before and after purchase of an insurance policy. IRDA, as insurance sector regulator, has been playing a pro-active role in promoting insurance education since its beginning and has adopted a strategic approach to enhance consumer awareness. Thus IRDA has undertaken various initiatives and is still doing a lot for creating awareness among customers. They are not only concentrating on the current but also on prospective customer. Thus IRDA is playing a dual role, one of regulator and other of educator.

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