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## Link insurance policies to Aadhaar

Insurers could hold up claims until policyholders submit Aadhaar and PAN details.

In a directive that is likely to pose a huge logistical challenge to insurance providers, the regulator has made it mandatory for companies to link Aadhaar with every individual policy.

The implication is that insurers may hold claims payments until policyholders submit their Aadhaar and PAN number. In a circular to all insurance companies, Insurance Regulatory and Development Authority of India (Irdai) said the Centre—in its gazette notification dated 1 June 2017—has made Aadhaar and PAN/Form 60 mandatory for availing of financial services, including insurance.

Irdai member (life) Nilesh Sathe said, "We have informed companies that this is the law and they have to abide by it." The circular states that the directives have statutory force and, as such, life and general insurers have to implement it without waiting for further instructions. Some life insurers are interpreting immediate effect to mean that no payout can be possible without Aadhaar and PAN.

Life insurers are already barred from settling claims in cash. Claim amounts are transferred only to bank accounts, which now have to be linked to Aadhaar.



Many insurers already ask for PAN for all life policies although the regulator requires them for cash premium above ₹50,000.

The process of linking Aadhaar to policies would be similar to the one adopted by banks. This means that insurers would be able to link the numbers either through text messages or online or by visiting the branch.

Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance, said considering neither banks or telecom companies have denied service for want of Aadhaar, he

expected authorities to be reasonable in respect of claims that have to be paid out immediately. He said that in the long run this would be positive for non-life companies as it would help them to insure based on the individual rather than the object insured. For instance, in developed markets, the auto insurance premium is based on the track record of the owner rather than the vehicle.

The task of linking insurance policies to Aadhaar would need as much effort as was required in banks. Policies are issued every year and life insurance policies have long-term validity. LIC alone is estimated to have around 29 crore policies. In addition, there are 21 crore vehicles and a significant number of health insurance policies. Last year, life insurers issued 2.67 crore policies, of which 2.05 crore were from LIC.

There are 54 insurance companies, which include four non-life, one life and one reinsurance company in the public sector. In addition, there are two government owned insurers for exports and agriculture. In the private sector; there are 23 life, 18 general and five health insurance companies. —Mayur Shetty