IrDA/LIFE/CIR/GDL/285/12/2014

To
All the Life Insurance Companies,

GUIDELINES ON CLAIM PROCESSING FOR GROUP LIFE INSURANCE POLICIES UNDER LENDER-BORROWER GROUP INSURANCE SCHEMES

1. In partial modification of Clause C-7 of IRDA Guidelines on Group Insurance Policies dated 14th July, 2005 and in order to provide clarification in terms of Regulation 66 (a) with regard to Regulation 42 (e) (iv) of the IRDA (Linked Products) Regulations, 2013 and in terms of Regulation 49 (a) with regard to Regulation 34(e) and 34 (g) (iv) of the IRDA (Non-Linked Insurance Products) Regulations, 2013, the Authority hereby issues the following Guidelines in respect of Group Insurance Policies/Schemes administered by the following entities as Group Organizers/Master Policyholders:

   i. Reserve Bank of India (RBI) Regulated Scheduled Commercial Banks.
   ii. NBFCs having Certificate of Registration from RBI.
   iii. National Housing Bank (NHB) Regulated Housing Finance Companies.

2. APPLICABILITY:

   I. These Guidelines are applicable in respect of only Group Life Insurance Policies / Schemes obtained under Lender-Borrower groups and administered by the above entities and subject to the conditions that;

   (a) The Individual Member of the Group Life Insurance Scheme / Policy shall specifically authorise the Life Insurance Companies to make the payment of Outstanding Loan Balance amount to Master Policyholder by deducting from the claim proceeds payable on the happening of the contingent event covered by the Group Life Insurance Scheme / Policy.

   (b) The terms and conditions of the Group Insurance Scheme/ Policy contract of the respective Group Insurance Scheme/ Policy shall have an enabling clause both for obtaining the said Authorisation from the Individual Members of the Group and also for allowing the Life Insurers to make claim payments in favour of the Master Policyholder to the extent of the Outstanding Loan Balance.

   (c) The Life Insurers shall ensure that the specific authorization is in consideration of;

      (i) having received a loan or
      (ii) the existing outstanding loan.
(d) The Authorization shall be obtained from the Member Insured at the time of joining the group insurance scheme/policy or at a later date.

(e) In respect of existing policies/schemes, the Life Insurer and the Master Policyholder may mutually agree and pass an endorsement to the existing group insurance policies as specified under Clause 2 (I) (b) after specifically obtaining Authorisation from the Individual Members of Group Insurance as in Clause 2 (I) (a).

(f) The payment of claim amounts to the extent of Outstanding Loan Balance amount may be paid in accordance to these Guidelines only after specifically obtaining the Authorization from the Individual Member of the Group Insurance Scheme/Policy.

3. **GUIDELINES:**

   I. The Life Insurance Companies shall obtain from the MASTER POLICYHOLDER, a Credit Account Statement in respect of the Insured Member to whom/whose nominee or beneficiary the claim monies are payable on the happening of the insured contingency with inter alia, the following details:

   a) Name of the Group Master Policyholder.
   b) Group Master Policy Number.
   c) Name of Insured Member.
   d) Date of Commencement of Risk.
   e) Sum Assured for which the Member of the Group Insurance Policy was insured.
   f) Original Amount of Loan.
   g) Particulars of the recoveries made by the Master Policyholder towards the Loan.
   h) Outstanding Loan Balance as on the date of happening on the contingent event covered.
   i) Balance Claim Amount (*difference between the sum assured referred under (e) above and Outstanding Loan Balance referred under (h) above*) payable to the insured on the happening of the other contingent event or to the Nominee/Beneficiary of the deceased member in case of death claims.

   II. The Credit Account Statement submitted by the MASTER POLICYHOLDER, as mentioned in 3 (I) above shall also have the following declaration:

   a) Declaration / Undertaking of the Master Policyholder that the information / details furnished in the CREDIT ACCOUNT STATEMENT are verified for accuracy.
III. Where the Claim Discharge Form of the Insured Member / Nominee / Beneficiary is obtained through the Master Policyholder, the Life Insurer shall take a Certification either in the Claim Discharge Form or in a separate format from the Master Policyholder that the Insured Member / Nominee / Beneficiary who had submitted the Claim Discharge Form is the same person who has been registered by the Master Policyholder as the Insured Member / Nominee / Beneficiary under the Group Master Policy.

IV. Life Insurance Companies shall settle the Claim on the happening of the contingent event covered under the Group Insurance Scheme/Policy after obtaining the documents mentioned in 3 (I) to 3 (III) above to the extent of

a. Outstanding Loan Balance amount (as mentioned in 3 (I) (h) in favour of Master Policyholder of the Group Insurance Scheme/Policy.

b. Balance Claim amount if any (as mentioned in 3 (I) (i) after deduction of the Outstanding Loan Balance) DIRECTLY in favour of nominee / beneficiary of the deceased member of the Group Insurance Scheme/Policy as the case may be.

V. The amount payable to the Master Policyholder shall under no circumstance be more than the Outstanding Loan Balance of the Member of Group Insurance as mentioned in 3 (I) (h) of the Credit Account Statement.

VI. Complete details of the claim amount settled, the remittances made to the Master Policyholder towards Outstanding Loan Balance and the balance claim amount payable to the Insured Member / Nominee / Beneficiary shall be communicated by the Life Insurer directly to the Insured Member / Nominee / Beneficiary.

a) Where the entire claim proceeds are adjusted towards Outstanding Loan Balance, a communication shall nevertheless be directly forwarded by the Life Insurer either to the Insured Member or to the Nominee / Beneficiary, as the case may be, with complete details of the total amount of claim settled and the amount remitted to the Master Policyholder towards Outstanding Loan Balance.

VII. The Life Insurers shall have in place an enabling clause in Terms and Conditions of the Group Insurance Scheme / Policy that they will audit or cause an audit into the accuracy of the Credit Account Statements of the insured members in respect of which claims were settled on the completion of every financial year and every Life Insurer shall audit or cause an audit into the accuracy of the Credit Account Statements of the deceased group insured members furnished by the Master Policy Holder.
a) However, notwithstanding the above clause as part of the terms and conditions of the group insurance contract, the Life Insurers may also delegate the responsibility of the audit and require the Master Policyholders to audit or to cause an audit into the accuracy of the Credit Account Statements of the insured members in respect of which claims were settled on the completion of every financial year and shall obtain a certification from their respective Internal / Statutory Auditors that the Outstanding Loan Balance being shown in the ‘Credit Account Statement’/ ‘Claim Discharge Form’ is correct and reflecting the balance as per the conditions governing the Credit Account / Loan Account.

b) In the event of any discrepancy found in the audit report of such Credit Account Statements, the onus of settling the difference amount, if any, to the Insured Member / Nominee / Beneficiary of the Group Insurance Scheme/Policy, as the case may be, rests with the Life Insurer.

VIII. The Life Insurer is responsible to redress the specific grievances of the Insured Member / Nominee / Beneficiary that may arise either during policy term or after settlement of the claim.

IX. The Life Insurers shall obtain the documentary evidence to establish that the entities referred from 1 (i) to 1 (iii) of these Guidelines are registered with RBI / NHB.

The above Guidelines are effective from 01\textsuperscript{st} January, 2015.

(T.S. Vijayan)
Chairman