

CREDIT-LINKED LIFE INSURANCE



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Preface

Generally, Credit-linked Life Insurance (CLI) is a life insurance policy linked to credit given to customer(s) from a Provider in order to secure the customer's debt in case of death of the customer(s). This kind of term insurance is common in case of lender-borrower relationship as it provides the borrower crucial asset protection for the family. For the lender such insurance coverage protects the credit from extreme-event shocks without resorting to measures such as sale of customer's assets which could be time-consuming and very hard from the customer's perspective.

In case of micro-credit in India, un-secured credit is given to low-income households and only backed by social collateral in the form of group's moral guarantee. For micro-credit population segment who mostly lack assets and insurance coverage, death of an earning family member can be calamitous. Therefore, a life insurance coverage is a much-needed financial instrument to deal with such shocks.

In last two decades of micro-credit sector in India, Providers of micro-credit and Insurers have evolved a cost-effective product and model to meet this need. Under this model, the micro-credit Provider (such as NBFC-MFIs), either as master policy holder or insurance agent, facilitates the customer and her key family member (usually spouse) to buy a life insurance cover which is linked to her credit (amount disbursed or loan outstanding). Insurance is bundled with micro-credit. In case of death of customer or her spouse, insurance pays the micro-credit Provider for outstanding with balance coverage amount being given to the customer or her nominee¹.

Through this simple model, a vast micro-credit customer base gets insurance coverage at a reasonable cost and gets support from micro-credit Provider for claims settlement etc as required. The micro-credit Provider, in turn, can protect their portfolio from death-events and provide much needed basic term insurance to their customers at a uniform premium rate across geography and age. For Insurers micro-credit channel gives them access to a very large low-income customer base which is otherwise difficult and unprofitable to insure for several factors including high cost of customer acquisition and servicing, low coverage amount and high-risk profile.

This model, while works quite satisfactorily for all participants - customers, micro-credit Providers and Insurers, there is a scope for improvement. Within the above-mentioned broad framework, there are complexities and variations in the way product and model is administered. These variations could

¹ <http://mfinindia.org/relevant-regulatory/group%20guidelines%20dated%2029Dec2014.pdf>

come from the products and/or policies and process of the micro-credit Provider and the Insurers. Given their educational-socio-economic background, micro-credit customers may lack suitable information about the product and can be susceptible to not-taking full benefits of the product paid by her. It may be noted that a significant portion of customer calls on Customer Grievance Redressal Mechanism (CGRM), both on MFIN and NBFC-MFI channel pertain to insurances, usually for the claim settlements. An internal study done by MFIN also affirmed that lack of standardization in process related to CLI and lapses in disclosures to customers.

This Guidance Note is prepared to provide framework to the NBFC-MFIs to organize their policies and processes on the CLI. It is formulated around the foundational process as under:

1. Defining product requirement
2. Selection of Insurer
3. Contract with Insurer
4. Orientation of the employees
5. Key process vis a vis customer
6. Key process vis a vis Insurer
7. Oversight

We take this opportunity to thank MFIN member NBFC-MFIs and some of the Insurers who supported us in preparing the document. For any clarification/suggestion, feel free to connect with us at sro@mfinindia.org

1. Defining Product Requirement

1.1 As a first step, NBFC-MFI should have clear thinking about kind of CLI product it wants which would meet the requirement of the NBFC-MFI as well as the customer. While CLI product are fairly standardized within the industry, NBFC-MFI still has to factor the consideration of own context based on customer's profile (age, geography, elasticity to pay premium, financial education) and own requirement (credit products, risk appetite, capacity of field employee and monitoring etc).

1.2 Some features that may be considered in defining product requirement are:

- **Insured persons:** NBFC-MFI must determine the coverage they want to achieve from the product. They may decide to cover demise of only customer, customer & spouse, customer & primary earner etc.
- **Sum assured:** NBFC-MFI must decide if it would like insurance to cover only for the disbursed amount, loan amount outstanding or any other fixed-standard amount. Cost benefit analysis of these products from the customer's perspective as she is eventually paying for the product.
- **Coverage period:** NBFC-MFI must keep in mind the tenure of its loan products (standard loans as well as top-up loans) and select insurance products that ensure coverage during the tenure of the loan. NBFC-MFI should give special focus for exception cases such as pre-closures, loan reschedule.
- **Available products:** It is always advisable to do a scan of available product in the market accessible to the customers and how NBFC-MFI's product requirement differentiates and align with options available.

1.3 While thinking about above questions, besides relying on own experience and context, it may be good to reach out to peer NBFC-MFIs to discuss the pros and cons of adding and eliminating certain feature in the product requirement. As an example, a credit-linked insurance cover linked with loan amount outstanding may offer lower premium and less of operational requirement as claim need not be settled with the nominee. However, many NBFC-MFIs have experienced challenges getting claim settled as customer has no tangible incentive to provide necessary documents for claims settlement as claim amount only goes to NBFC-MFI and not to the customer.

2. Selection of Insurer

2.1 Once NBFC-MFI has a clear understanding about its own expectations and requirements from the CLI, it should adopt a transparent, competitive and objective process to select an insurance partner (s). Several steps can be considered:

- Invite proposals from a wider spectrum of interested Insurers offering such products.
- Set clear criteria for short-listing and selecting which should include parameters such as alignment with product requirement, market position, financial solidity, claim process, claim ratio, experience with micro-credit industry, customer service, transparency, turnaround time (TAT) for claim settlement, training and support to employees, ease of process among others. Please refer to Annex 1 for an exhaustive list of parameters to be factored in selecting the Insurer and product.
- Scrutinize short-listed proposals for regulatory compliances required by the RBI and IRDA².
- It is understood that premium calculation is largely dependent on the NBFC-MFI's business volume and claim ratio. However, a comparison of premium offered should be checked with a market study of peer, if possible.

2.2 NBFC-MFI should document the process and rationale of selection as well as the final approval process by the management

² <http://www.policyholder.gov.in/uploads/CEDocuments/Group%20Insurance%20Guidelines%20-%202014.07.2005.pdf>
http://www.policyholder.gov.in/Group_Insurance.aspx

3. Contract with Insurer

3.1 After the Insurer(s) has been selected, NBFC-MFI should have a detailed contract with the Insurer clearly defining IRDA approved relationship with the Insurer such as Master Policy Holder, Insurance Agent etc.

3.2 Such contract should go through legal and regulatory scrutiny for hygiene and NBFC-MFI's obligations are as under:

- Name of the Master Policy Holder
- Name of insured person(s)
- Whether there is a waiting period
- Details of coverage including exceptions such as pre-closure, transfer of loan, suicide, terminal illness etc.
- Tenure of coverage (date to commencement and date of termination)
- Parameters of coverage: persons insured, age, condition of health, location
- Benefits payable on surrender of cover
- Documentation and reporting requirements at customer level
- Documentation and reporting requirement at NBFC-MFI level
- Privacy and confidentiality of customers data and required safeguards
- Documentation and transaction process (reporting, storage and transfer of customer data and papers, premium transfers, premium refund, claim settlement, grounds for rejection (policy enrolment, claim processing)
- Turnaround time for the Insurer on various types of service requests such as premium acknowledgement receipt, policy issuance, claim settlement, response to customer queries and complaints etc
- Periodic review based on evaluation on claim settlement, pricing, customer complaints and adherence to TATs etc
Floater/ advance premium related guidelines
- Indemnification clause
- Contact points and escalation matrix
- Responsibilities of the NBFC-MFI
- Responsibility of the Insurer

4. Orientation to Employees

4.1 Micro-credit customers greatly rely on direct employee interface to understand about the coverage and underlying process requirement. Therefore, NBFC-MFI must ensure the employees responsible for customer interface (loan officer, branch managers) have clear understanding about the product features and process vis a vis CLI and soft skills as under:

- Pricing
- Coverage including exceptions and other relevant term and conditions
- Process for cancellation or renewal of policy
- Process for claim settlement
- Privacy of customer's information
- Common issues faced by customers in the process of claim settlement and how to effectively solve customer queries and if required escalation mechanism available to the customers
- Soft skills on handling customers at the time of grief

4.2 Details of CLI product and relevant process should be part of training module of the field employee and other relevant employees and should be periodically updated for changes in line with product features and process.

4.3 In addition to field employee, head office employee involved with insurance process (documentation, claim settlement, CGRM, staff training, compliance, reporting) should be regularly trained on the product and process and should be sensitized to prioritize meeting the customers requirement in line with defined TATs in the NBFC-MFI.

4.4 Employees should be given refresher trainings and they should also be assessed on their understanding of the product and process periodically.

5. Key Processes vis a vis Customer

On-boarding

5.1 As part of the on-boarding process, the customer should be clearly informed about:

- Product: cost, coverage, what is included and what is not, exceptions
- Process to cancel and renew the policy and
- Process to claim settlement including documentation requirement

5.2 Training module for the customer in Group Recognition Test (GRT) should include details about CLI and the same should be reiterated during centre meetings. This training module and training to customers should include the:

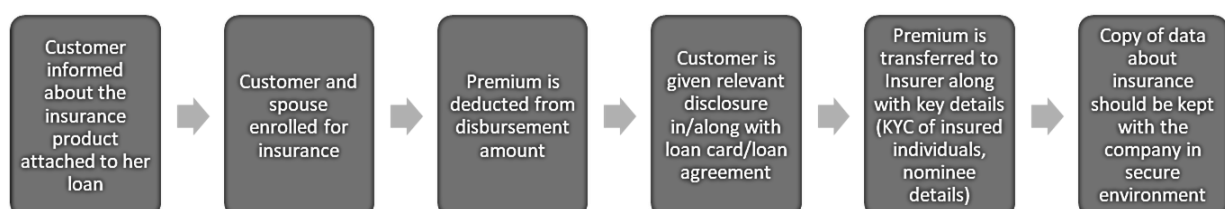
- Key details of CLI
- Information about coverage period (including coverage in case of pre-closure or rescheduling of loan)
- Expected TAT of claim settlement.
- Importance of informing beneficiaries of their benefits under the customer's insurance coverage.

5.3 Relevant documents from the customers, specifically required for the Credit-linked Life Insurance such as KYC documents, application form, declaration/NOC to transfer loan amount outstanding at date of death to lender etc should be collected and verified for correctness and compliances.

5.4 Customer's age eligibility for coverage under CLI should be checked for the entire tenure of the loan.

5.5 Once micro-credit is disbursed, and CLI policy issued, the relevant disclosures concerning the CLI should be made in documents made available to the customer and the staff should highlight the same to the customer at the time of disbursement and during centre meetings to ensure customer retention. Ideally a Certificate of insurance (COI) containing all relevant details should be handed to every customer. The following details should be covered in the same.

- Name of Insurer
- Policy number
- Individuals covered
- Premium paid
- Coverage amount
- Period/term of coverage
- Events covered
- Exceptions: terms related to pre-closure, loan rescheduling and loan default etc.
- Process to file claims (documents required, TATs etc.)
- Grievance process for insurance
- Other key conditions



Claim processing

5.6 Once the information about the death of the customer or related insured person reaches the NBFC-MFI, the NBFC-MFI should withhold the next rescheduled repayment and immediately do the verification based on internal process. During the verification, employee should take extreme care not to hurt the sensibilities of the family and community.

5.7 Based on customer's/nominee's comfort and convenience, NBFC-MFI employee should inform the documentation requirement for claim processing, claim amount which will be transferred to nominee and NBFC-MFIs, TAT for claim processing as well as contact details in order to know the status of claim and register complaint. Typically, the following documents are required for claim settlement:

- Death certificate of the deceased
- KYC of deceased person submitted at the time of on-boarding
- KYC and Bank account details of nominee
- Document establishing the relationship between nominee and the deceased
- Any other documents required by Insurer based on reasons of death

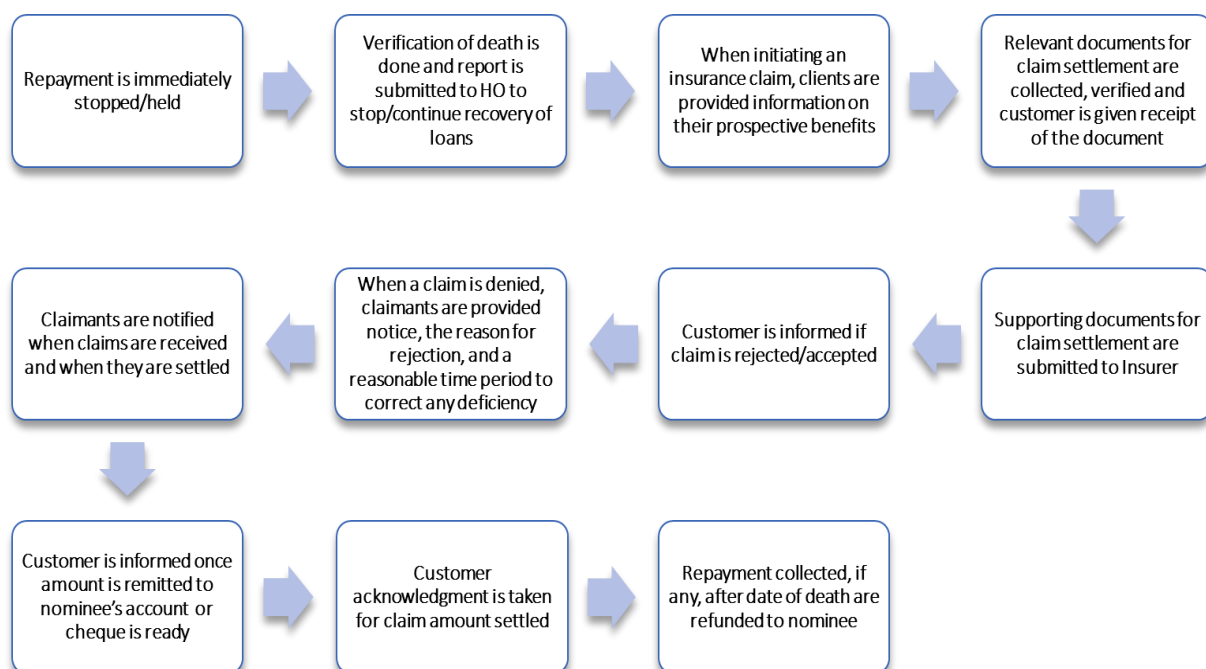
5.8 Customer should be supported to fill the claim form and organize the required documents for claim processing (death certificate, KYC, nominee bank details).

5.9 Employee responsible for claim processing should verify the documents for accuracy and completeness to ensure quick processing of claim settlement and then transfer to the Head Office as per internal process.

5.10 Once claim amount has been transferred to nominees account or cheque is ready for collection, intimation should be given

5.11 Any amount collected towards the repayment post the date of death should be refunded to the nominee

5.12 Claims unsettled 90 days after date of death should be escalated for examination and resolution



Grievance redressal

5.13 Customers should be encouraged to reach out to NBFC-MFI's CGRM for any complaints or queries concerning insurance that the staff is unable to address. The NBFC-MFI should also provide the Insurer's and IRDA's CGRM number to the customer as part of an escalation matrix and the customer should be made aware of these numbers and the specific circumstances in which they may be called.

5.14 There should be well laid out process to address the customer queries and grievances.

5.15 Field-employees as well CGRM representatives, should be very well versed to respond to customer queries/calls on all related aspects such as:

- Information to be provided on the receipt of death intimation
- Information about the documentation requirement for claim and underlying process
- Status of claim
- Complaint regarding rejection or delay in claim processing or disagreement in claim value etc

5.16 CGRM representative should be aware of common issues faced by nominees/customers and should also be sensitized on how to speak with the nominees/customers at this aggrieved time.

5.17 CGRM should have access to the Management Information System (MIS) of claim settlement to immediately inform the about current stage of claim processing.

Others

5.18 In addition to the above standard process, NBFC-MFI should have clearly documented policy and process for other specific situations as under:

- If a customer has pre-closed, her micro-credit loan but her CLI coverage continues? If yes, she should be supported with claim settlement if required. If not, her premium should be refunded to the customer.
- If a customer has missed her scheduled repayment thereby extending her tenure, what happens to her coverage of CLI? Can the customer extend her CLI to cover the extended tenure? If not, customer should be informed about this to avoid unpleasant situation later.
- If customer has a delinquent account (i.e. she has pending repayments) at the time of death, how will this affect the claim processing process and claim value
- Difference if any in claim process for the customer (i.e. borrower) and related-insured person.
- Reporting of customer data to Credit Information Companies (CICs) till claim is settled by the Insurer.

Submission of account to CICs in case of customer or related insured person dies

It is suggested that as soon as the death of the customer or related insurer person is confirmed, the account should be closed and reported as such to the Credit Information Companies (CICs).

For accounting purpose, loan account can be closed by debiting loan account "Receivable from Insurer" and reconcile this loan account when settlement amount is received from Insurer.

Considering that the claim settlement from the Insurer can take anywhere between 1 to 6 months, submitting loan account as delinquent (till it is settled through claim received from Insurer) impairs the customer ability to access the loan and her credit history. It is therefore, recommended that the account is closed and submitted with account status as 'closed' to the CICs.

6. Key Processes vis a vis Insurer

On-boarding

- 6.1 NBFC-MFI to maintain a float with the Insurer as per the conditions of the contract signed with the Insurer.
- 6.2 List of insured people with details as mandated by the Insurer be sent to the Insurer as per agreed periodicity.
- 6.3 Premium collected for the insured people transferred to the Insurer as per agreed timelines in the contract signed with the Insurer
- 6.4 Insurer to send the Certificate of Insurance to the NBFC-MFI for all policies sold during the period.

Claim processing

- 6.5 Details of death for claim processing be informed to the Insurer after verification has been done by the NBFC-MFI
- 6.6 Documents for the claim processing are sent to the Insurers (hard/soft copy as per the requirement of the Insurer) to register the claim
- 6.7 Status of claims is regularly monitored
- 6.8 Insurer to inform the NBFC-MFI once claim has been processed with required details including reasons for rejection if applicable

Others

- 6.9 Insurer to be informed of cancellation of policy and remaining premium amount to be refunded to the customer, where applicable
- 6.10 Insurer to be informed of extension of the policy (for rescheduled loans) and premium be transferred to Insurer and revised Certificate of Policy is received from Insurer

7. Oversight

Reporting

7.1 For all insured persons (customers and related-family member), there should be detailed capturing of data including KYC details, Insurer, policy number, premium amount, coverage amount, linked credit-account number, nominee details. Please refer to Annex 2 for format of CLI.

7.2 Information with respect to claim should capture all key aspects to monitor and analyse the efficiency of claim processing. This among other essential data point should cover the following³:

- KYC details of insured person (name, age, dob, IDs, address, phone number)
- Coverage details (amount, start date, end date)
- Date of intimation of death (the date MFI was informed of demise)
- Date of death (as per death certificate)
- Details of documents collected for claim processing
- Date of full documents collected from nominee for claim processing
- Date of documents submitted to Insurer for claims
- Nominee details (name, relationship, KYC, bank details)
- Principal amount outstanding at date of death (as per death certificate)
- Claim amount approved by Insurer
- Amount and date of claim amount transferred to the nominee
- Amount and date of claim amount transferred to the NBFC-MFI
- Repayment amount collected post date of death
- Repayment amount collected post date of death which is refunded
- Reasons for rejection

7.3 All details, hard copies as well as soft copy should be kept in a secured environment which ensures the security, privacy and confidentiality of customer information.

Monitoring

There should be monitoring mechanism to see adherence to process and overall performance of CLI as under:

7.4 NBFC-MFI's internal audit should cover the aspects as under and key findings should be presented to the Senior management and the Board

- Training modules for customers and employees cover the updated information about products and process
- Disclosure to customers are in line with regulatory norms and as per internal company policy
- Customers' and employee's awareness about the product and process
- TAT for claims processing, complaints redressal
- Accuracy of information/data captured in MIS
- Accuracy of transactions including premium collected and claims settled
- Measures for security, privacy and confidentiality of data of the customer and company
- Compliance with regulations and policy

7.5 Customer's understanding of CLI should be assessed during audit or any other assessments. Based on this assessment, process to inform and educate the customers should be strengthened to improve the customers' understanding

³ Please refer to Annex 3 for a format capturing data related to claim settlement process

7.6 Performance of CLI should be periodically assessed at NBFC-MFI level as well as Insurer level for strengths and shortcomings and to take corrective measures.

- The turnaround time (TAT) at NBFC-MFI level for claim processing (collection of documents from customers, transfer of document to Insurer, registration of claims)
- Causes for delays, rejection and customer queries and complaints
- The TAT of Insurer for claim processing
- Claim ratio of the Insurer
- Ease of doing business with the Insurer

7.7 There should be Board/Management oversight to conduct a regular review of the reports generated on CGRM as well performance and audit of the NBFC-MFI's CLI product and process.

8. Annexures

Annex 1: Parameters to guide the selection of Insurer

Sl. No.	Particulars	Remarks
1.	Profile of Insurer (focus segments, state, market position)	
2	Date of registration in India and commencement of business.	
4	IRDA registration number	
5	Equity participation and brief details of promoters	
6	Award and achievement of company	
7	List of Corporate tie-ups (separate for urban and rural) in micro-credit sector including date of tie-up and first year premium (Regular) collected in each tie-up.	
8	No. of offices in relevant states where NBFC-MFI operates	
9	Technology to be provided by company (e.g. Online purchase of policy, need analysis, online submission and verification of documents etc.)	
10	Consumer complaint grievance procedure	
11	Claim settlement process and area of jurisdiction	
11	Human resources to be deployed by Insurer	
12	Projected business the Insurer can assure	
13	Training and other support by Insurer	
14	Details of offered products (coverage, premium per thousand, commission)	
15	Any special scheme which Insurer may like to highlight.	
16	Time the Insurer will take to start the business.	

Financial position and ratio analysis for latest three financial years

Sl no.	Particulars	FY 1	FY 2	FY 3
16	Business ranking			
17	Market share in total business.			
18	Claim settlement ratio			
19	Average claim settlement time			
20	Customer grievances (no of complaints, resolved, pending)			
21	Solvency ratio			
22	Share capital			
23	Reserves & surplus			
24	Net worth			
25	Premium earned			
26	Net profit for the year			
27	Penalties paid by company in case violation of provisions of act and guidelines applicable to company (if any)			

Annex 2: Format for gathering information for all insured persons

- Name of the Insurer
- Name of NBFC-MFI
- Name of customer
- Gender
- Phone
- Address
- Date of birth
- Age (on date of commencement of policy)
- Customer's loan account number linked to policy
- Premium paid
- Coverage amount
- Date of commencement of policy
- Date of termination of policy
- Nominee details (name, relationship, age)

Annex 3: Format for gathering information on claim processing

- KYC details of insured person (name, age, dob, IDs, address, phone number)
- Coverage details (amount, start date, end date)
- Date of intimation of death (the date NBFC-MFI was informed of demise)
- Date of verification of death
- Date when verification report was sent to HQ
- Date of death (as per death certificate)
- Details of documents collected for claim processing
- Date of full documents collected from nominee for claim processing
- Date of documents submitted to Insurer for registering claims
- Nominee details (name, relationship, KYC, bank details)
- Principal amount outstanding at date of death (as per death certificate)
- Claim amount approved by Insurer
- Amount and date of claim amount transferred to the nominee
- Amount and date of claim amount transferred to the NBFC-MFI
- Repayment amount collected post date of death
- Repayment amount collected post date of death which is refunded
- Reasons for rejection

Annex 4: Relevant regulatory and industry guidelines

RBI Directions for NBFC-MFIs

https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9827

- There shall be only three components in the pricing of the loan viz. the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof).
- NBFC-MFIs shall recover only the actual cost of insurance for group, or livestock, life, health for borrower and spouse. Administrative charges where recovered, shall be as per IRDA guidelines.

RBI Fair Practice Code for NBFCs

https://rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9823

- In the loan agreement it should be disclosed that that the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),

IRDA

<http://www.policyholder.gov.in/uploads/CEDocuments/Group%20Insurance%20Guidelines%20-%202014.07.2005.pdf>

<http://www.policyholder.gov.in/uploads/CEDocuments/GroupInsurance%20Guidelines.pdf>

<http://mfinindia.org/relevant-regulatory/group%20guidelines%20dated%2029Dec2014.pdf>

Industry Code of Conduct

<http://mfinindia.org/wp-content/uploads/2016/10/Industry-CoC-Changes.pdf>

MFI must disclose the total charges recovered for insurance coverage and risks covered.

MFI must not bundle products, except for credit life insurance, life insurance & live-stock insurance products. The terms of insurance will be transparently conveyed to the customer and will comply with RBI & IRDA norms. Consent of the client will be taken in all cases.

Compendium of MFIN Directive and Advisories (Directive 9 on Insurance claims settlements)

http://mfinindia.org/wp-content/uploads/2016/10/Compendium-of-MFIN-Directives-and-Advisories_29th-Nov-18.pdf

- NBFC-MFIs should ensure that they cease collection of due instalments after the date of the demise of the insured customer or insured family person.
- In case there has been any collection of due instalments post this date, NBFC-MFIs are required to refund the excess amount along with the death benefit to the customer or nominee, as applicable.
- NBFC-MFI take all necessary steps including support to customer/nominee with documentation requirements to timely process the insurance claims.

Client Protection Principle (CPP) of Smart Campaign

https://www.smartcampaign.org/storage/documents/Tools_and_Resources/Standards_2.0_English_Word_for_Website.pdf

- All the insurance products offered by or through the provider are underwritten by a licensed Insurer. An exception can be made, where permitted by applicable local law, for credit life insurance, or if the provider can demonstrate that 1) no Insurer is willing to offer appropriate products; and 2) the associated credit risks are minimal and clearly disclosed to clients.
- If the provider is bearing the risk of insurance products that it offers its clients, it must be licensed to do so by the insurance regulator.
- If the provider is selling insurance products on behalf of a regulated Insurer, it must be legally allowed to be an insurance agent (individually OR as a company).
- When insurance is offered through third-party providers, the provider has a transparent process for selecting Insurers which involves a competitive bidding and/or market study and a consideration of the value and appropriateness of the products and services offered.
- The provider has a mechanism of rigorous and regular monitoring of front-line staff and third-party sales techniques (e.g., agents, insurance companies or money transfer companies) to impede aggressive sales. When 'red flags' are raised, it triggers corrective measures
- Insured clients are provided the following information at the time of enrolment (orally and/or in writing):
 - › premium
 - › events covered
 - › individuals covered
 - › amount and term of coverage
 - › when and how to file a claim
 - › required documentation to prove damage
 - › any major exclusions
 - › terms related to cancelation and prepayment
 - › cooling off periods, cancellation rights, and other relevant rights under policies.
- Clients are informed about the importance of informing beneficiaries of their coverage under the client's insurance products.
- Providers make the same effort to educate clients about their products, whether the products are sold as voluntary, mandatory or bundled.
- Insurance claims are processed in a fair and timely manner.
 - › Almost all claims are settled within one month or such shorter period as may be required by local law (some exceptions may be permitted due to complexity).
 - › Claimants are notified when claims are received and when they are settled.
 - › When a claim is denied, claimants are provided notice, the reason for rejection, and a reasonable time period during which to correct any deficiency; in almost all cases, such notice is received within one month of the filing of the claim (some exceptions may be permitted due to complexity).
- Starting at the time of the application, clients give their consent before the provider shares personal information with any external audience, including credit bureaus, family members, guarantors, insurance agents, collections companies, and marketing material or other public content. Staff is required to highlight the text of consent signed by a client.
- Product contracts include a clear, concise explanation of how client data will be protected and how it may be used or shared and with whom, including sharing with a credit bureau.
- Clients name beneficiaries for life insurance policies and are reminded to notify those beneficiaries that they have been designated.
- The provider analyses data from insurance products to assess their value to clients and client satisfaction. Data should include, product uptake, claims ratio, claims rejection ratio, renewal rate, coverage ratio, demographics of those covered, complaints ratio, average time for claim's resolution, reasons for lapses in coverage and rejection of claims.
- The provider and/or its agent network provider has a system to monitor third party agent liquidity and network availability and take action in the event of system failures

- Guarantees, guarantor income and/or insurance coverage are not the main basis for loan approval.
- If the provider deducts the first payment from principal and fees (i.e. upfront fee, insurance, guarantee deposit), it clearly communicates this to clients before disbursement.
- The provider gives clients adequate time to review the terms and conditions of products, ask questions, and receive additional information prior to signing contracts. The client has an opportunity to decline the product (loan + insurance combination in the case of bundled products).
- Clients receive a certificate of coverage that includes the most salient information, which in all cases includes:
 - › premium;
 - › events covered
 - › individuals covered
 - › amount and term of coverage
 - › when and how to file a claim.

This certificate is delivered to clients promptly after enrolment (in the case of insurance enrolment at the time of the loan application, the certificate should be delivered at or before loan disbursement).

- The provider notifies clients before any change, including expiration, cancellation or material change of terms (such as insurance coverage) or price. Where relevant, provider informs clients of any right or procedure to prevent the change. Communication for credit and savings products is orally and in writing.
- Pricing for insurance, including mandatory insurance fees, covers at least premiums passed to insurance companies and actual costs.
- Insurance pricing is adjusted based on actual claims experience.
- Claims ratios for life insurance are no less than 30%. If below 30%, raises a yellow flag and can be justified by the provider
- The provider does not charge or receive an entrance fee, exclusivity fee or initiation fee from the insurance provider.

For any suggestion/clarification/query, please contact us at sro@mfinindia.org