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Date: 17-11-2020

All Life/ General/ Health Insurers

Master Circular: Unclaimed Amounts of Policyholders

The Authority has issued various directions regarding the Unclaimed Amounts of Policyholders from time to time. All such directions were consolidated and issued in the form of a Master Circular dt. 25th July, 2017.

All insurers having unclaimed amounts of policyholders for a period of more than 10 years as on 30th September, every year have to transfer the same to the Senior Citizens' Welfare Fund (SCWF) on or before 1st March of the financial year. Insurers need to follow the accounting procedure as detailed in the notification dt. 21.12.2017 (copy enclosed) to transfer the unclaimed amounts to the designated account of the Govt of India. Every financial year the process laid down in the SCWF Rules, 2016 (copy enclosed) shall be followed as regards transfer of the unclaimed amounts of policyholders.

The directions in the Master Circular (Ver 02) are hereby being updated, more particularly, with regard to the monitoring, reporting and certification of unclaimed amounts. The Master Circular also provides for convergence in compliance taking into account various circulars issued by the Authority on the subject as well as the SCWF Act and the Rules notified thereunder.

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भारतीय बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA**

IRDAI Master Circular

(Unclaimed Amounts of Policyholders)

Ver 02

17th November 2020.

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1. Background:

The Authority has issued various circulars regarding unclaimed amounts till date. All these circulars contain directions regarding the accounting, and disclosures regarding the unclaimed amounts of policyholders held by insurers. In the past few years, the unclaimed amounts with insurers have witnessed substantial increase, and the directions through various circulars issued by the Authority from time to time are consolidated under one single master document for ease of reference as well as compliance. It is also intended to offer better supervisory oversight as well as to provide for the effective monitoring of compliance regarding the same. This Master Circular summarizes all the directions of the Authority regarding unclaimed amounts, through various circulars as indicated in the **Appendix**, and supercedes all the directions issued by the Authority on the subject earlier.

Update and Directions:

The Government has set up a Senior Citizens' Welfare Fund (SCWF), through the provisions of Finance Act, 2015 and Finance Act, 2016. All unclaimed amounts held by the notified entities/ organizations shall be liable to be transferred after a period of 10 years from the due date, as defined under the provisions. The Rules for administration and utilization of the SCWF have also been prescribed by the Central Government.

The government vide notification F.No. 13/20/2014/NS-II, dated 11.04.2017, has amended the rules and Life, General and Standalone Health Insurance companies have been notified in the list of entities who shall be liable to transfer unclaimed amounts to the SCWF after 10 years. Accordingly, all insurers shall ensure that the unclaimed amounts of policyholders are held in custody and invested as directed by the Authority under this circular for a period of 10 years from the due date. The unclaimed amounts, on completion of ten years, shall be treated in accordance with the provisions of notification F.No. 13/20/2014/NS-II Dated 18.03.2016 (copy attached).

Budget Division, Department of Economic Affairs, MOF has issued *Accounting procedure for transfer of the funds into the Senior Citizens' Welfare Fund*. In view of the same, it is hereby directed that all insurers shall adhere to the accounting procedure issued by Department of Economic Affairs for transfer of the unclaimed amounts into the Senior Citizens' Welfare Fund. Every financial year, the process laid down in the SCWF Rules, 2016 read with the accounting procedure for transfer of the funds into the Senior Citizens' Welfare Fund shall be followed. All insurers shall make transfers to the SCWF on or before the 1st March, every year.

These directions are issued under Sec 34 of the Insurance Act, 1938 read with Sec 14 of the IRDA Act, 1999 and shall be applicable to all insurers transacting the business of life or general or health insurance in India. Any breach or violation of any directions under this circular shall be deemed to be a violation of the directions of the Authority, which could attract the penal provisions, including under Section 102 of the Insurance Act, 1938.

2. Definitions:

(1) In this circular, unless the context otherwise requires, reference to –

- (a) **“Act”** shall mean the Insurance Act, 1938 (4 of 1938);
- (b) **“Authority”** shall mean the Insurance Regulatory and Development Authority of India established under sub-section (1) of Section 3 of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);
- (c) **“Due date”**: shall mean the date on which any amount or claim is due for payment to the policyholder/ beneficiary as per Act, Rules, Regulations, Product features or any other directions issued by the Authority;
- (d) **“Senior Citizens’ Welfare Fund”** shall mean the Fund as defined in section 122 of Part II of Chapter VII of the Finance Act, 2015, or any amendment thereof;
- (e) **“Settled Claims”** shall mean all claims wherein the processing and decision making as regards the liability has been completed by the insurer;
- (f) **“Unclaimed Amounts”** shall include any amount held by insurers but payable to policyholders or beneficiaries, including income accrued thereon, remaining unclaimed beyond six months from the due date or settlement date of such amount, whichever is earlier.

Explanation 1 – unclaimed amounts may arise in respect of death claim, health benefit claim, maturity claim, survival benefit, surrenders/ foreclosures, premium due for refund, premium deposit not adjusted against premium and indemnity claims.

Explanation 2 - In case of general and standalone health insurers, any premium received in advance / deposits/ unallocated premium during the currency of the insurance policy shall not be considered as unclaimed amount. However, where the premium received in advance / unallocated premium has neither been set off / adjusted against the premium during the currency of the policy nor has been refunded

within six months from the expiry of the policy, such amount shall be considered as unclaimed amount.

- (2) All words and expressions used herein and not defined, but defined in the Insurance Act, 1938 (4 of 1938) or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), or in any Rules or Regulations made thereunder, shall have the meaning respectively assigned to them in those Acts or Rules or Regulations.

3. Provisions governing the Unclaimed Amounts:

- 1) No insurer shall appropriate or write back any part of the Unclaimed amounts belonging to the policyholders/ beneficiaries under any circumstances;
- 2) (i) The Policyholder Protection Committee of the Board of every insurer shall oversee the timely payout of the dues to policyholders. A detailed agenda item covering the following shall be placed before the Committee on a quarterly basis:
 - a) Aging analysis of the unclaimed amounts at the end of the quarter in the **Form A** as contained in Schedule I to this Master Circular;
 - b) Progress of settlement of unclaimed amounts with details of number and amounts of claims, during a quarter, in the **Form B** as contained in Schedule I to this Master Circular;
 - c) Steps taken by the insurer to reduce unclaimed amount by identifying the policyholders or beneficiaries, creating awareness, etc. in terms of the standard procedures and policy on customer service approved by the Board.
- (ii) Every insurer shall furnish the details of the action taken and status of the unclaimed amount to the Authority, along with a certified copy of the minutes of the meeting of the Policyholder Protection Committee on half- yearly basis, within 60 days from 30th September and 31st March, every year. The minutes shall be duly signed by the Chairman of the Committee.
- 3) The Audit Committee of the Board of every insurer shall oversee the compliance of the provisions of this Master Circular while examining the quarterly financial statements.
- 4) (i) Every Insurer shall display the information about any unclaimed amount of Rs. 1000/- or more on their respective web-sites. Such display of information of unclaimed amounts shall continue even after completion of ten years

(ii) A facility shall be provided on the website of the insurer to enable Policyholders or beneficiaries or dependents to find out whether any unclaimed amounts due to them are lying with the insurer. For this purpose, the Policyholder/ beneficiary may be allowed to enter the following fields in a window provided on the website for this purpose:

- a) Policy Number
- b) PAN of the Policyholder
- c) Name of the Policyholder
- d) Date of birth of the Policyholder

Name of the Policyholder and Date of Birth shall be mandatory fields to enter, while others may be optional fields.

(iii) Based on the above information entered, the insurer's website shall, on matching of the mandatory two fields, confirm the name of the Policyholder, address, Policy No. and amount lying unclaimed with the insurer.

(iv) The information regarding unclaimed amounts shall be updated by the insurers on their respective websites on half yearly basis - as on 31st March and 30th September every year. Such updation shall be done within 60 days from the end of the half year. A certification to that effect shall be furnished to the Authority by the CEO and Compliance Officer as a part of Form B giving details of Total Number of cases with outstanding more than Rs 1000/- and Total Amount of cases corresponding to them.

- 5) Policyholders/ beneficiaries shall be eligible to claim the dues under their policies up to 25 years from the date of transfer of the same to the Senior Citizen's Welfare Fund (SCWF) by the concerned insurer. If no claim is made up to a period of 25 years after transfer to the SCWF, such amounts shall escheat to the Central Government, in terms of Section 126 of the Finance Act, 2015.

4. **Payment of Unclaimed Amounts:**

All Insurers shall remit proceeds of all claims / maturity payments/ any other sum due to the policyholders or beneficiaries only through Electronic mode as under:

A. **For existing policies:**

In case of a life insurer, a communication providing an option of electronic transfer shall be sent to the policyholders along with any communication which is sent to the Policyholders. Further, a standard clause to this effect shall be included as foot note in all future communications with the Policyholders.

In case of general insurer, including standalone health insurers, bank account details shall be collected in the event of claim or refund or at the time of renewal of the policy.

All claims or maturity payments or other sum due to the policyholders shall be paid through electronic mode as per the option exercised by the policyholder.

B. For new policies:

- i. At proposal stage, Insurers shall take all the required details of the bank account of the proposer/ insured in the proposal form. Insurers shall also insist on the necessary documents as a proof of the bank account to ensure authenticity of the information, such as cancelled cheque etc. Where payment of premium is made by the proposer through cheque from his / her own bank account, retaining a copy of the cheque (in physical or electronic form) issued by the proposer shall be sufficient compliance of this purpose.
- ii. Furnishing bank details and proof thereof may be optional in case of insurance policies where the annual or annualized premium payable does not exceed the minimum amount as specified by the Authority from time to time, currently stipulated at Rupees Ten Thousands only.
- iii. In case of life insurance policies; in the event of a claim, bank details of beneficiary shall be called for by the insurers.
- iv. Insurers shall also provide an option to the policyholders to change or modify the bank account particulars in case the policyholder so desires. Such option shall be provided to the policyholders without any additional cost or charge.

C. All payments due to the policyholders relating to insurance policies shall be routed through the respective bank accounts through Electronic Clearing System (ECS), National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Interbank Mobile Payment Service (IMPS), Automated Clearing House (ACH) or any other electronic mode as may be permitted by the Reserve Bank of India (RBI) from time to time.

5. Communication to the Policyholders:

In order to minimize the occurrence of unclaimed amounts, Insurers shall endeavor to keep the Policyholders and beneficiaries informed about any updates, changes and maturity details by SMS alerts or Email or any other mode as may be specified by the Authority, on a regular basis.

Insurers shall get the contact details and all the necessary support from concerned agent/ corporate agent/ intermediary who had sourced the policy, in reaching out for settlements of the policy dues.

6. Accounting and Disclosure of Unclaimed Amount - General, Health and Life Insurers:

(1) Insurers shall maintain a single segregated fund to manage all unclaimed amounts and the sum of such fund shall be invested in money market instruments, Liquid Mutual Funds and /or fixed deposits of scheduled banks or such other instruments as may be permitted by Authority.

(2) All insurers shall disclose the amount representing the unclaimed amounts as a separate line item in the specified Notes or Schedules to the Balance Sheet. The age-wise analysis of unclaimed amounts shall also be disclosed in the Notes to Accounts as per the specified format, **Form A**, Schedule – I and shall form part of the Annual Report of all insurers.

Explanation - Cheques issued by the insurers against the unclaimed amounts but not encashed by the policyholders, shall be credited back to unclaimed amount, after the expiry of the validity period of the cheques. However, the age-wise classification of such amounts shall continue from the original date of classification as such unclaimed amount.

(3) All insurers shall disclose the movement in the unclaimed amounts comprising of the opening balance, income credited, addition of unclaimed amounts, claims settled during the year, amount transferred to SCWF and outstanding at the end of the year as per the format specified in **Form C** in Schedule –I, as a part of Notes to Accounts forming part of the financial statements. In case insurers receive claims in respect of unclaimed amounts which have been transferred to the SCWF, insurers may adjust the amount of such claims from the amounts due to be transferred to the Fund (SCWF).

(4) All Life Insurers shall maintain the "Unclaimed Amounts of Policyholders" under an individual Segregated Fund with a specific SFIN created as per the "ULIP Fund Clearance Procedure" along with valuation procedure, prescribed under IRDAI (Investment) Regulations, 2016 and circulars/guidelines issued there under.

(5) The value of SFIN as per sub-clause (4) above shall be disclosed under the Schedule of Current Assets to the Balance Sheet. The Statutory Auditor shall ensure that the amount mentioned in sub-clause 6(1) above and "Unclaimed Amounts of Policyholders" under the

Schedule of Current Liabilities to the Balance Sheet reconcile and shall report deviation observed, if any.

(6) In case of insurers other than life insurers, investment of Unclaimed Amount shall be shown under the Schedule of Current Assets to the Balance Sheet. The Statutory Auditor shall ensure that the amount mentioned in sub-clause 6 (1) above and "Unclaimed Amounts of Policyholders" under the Schedule of Current Liabilities to the Balance Sheet reconcile and shall report deviation observed, if any.

(7) The "Unclaimed Amounts of Policyholders" and the income credited thereon shall be verified by Concurrent Auditor on a quarterly basis.

(8) All insurers shall disclose the income credited during the year on the Unclaimed Amounts, in the notes to accounts in the Financial Statements.

(9) The 'Credit Balance' in the Unclaimed Fund should include the outstanding unclaimed amounts and the income thereon.

7. Accounting of Investment Income:

All insurers shall credit the investment income accruing on the unclaimed amounts to the respective identified unclaimed account. The income on Unclaimed Fund shall be shown as a separate line item in the schedule of Current Assets as well as Current Liabilities, net of Fund Administration Expenses, if any, as per clause 8 below.

All Insurers shall pay the identified unclaimed amount along with the investment income so credited, to the policyholders or beneficiaries whenever a claim is made as per the procedure. However, where any award/ order of a judicial forum includes any interest component, in such cases, the interest component can be adjusted from the investment income so credited/allocated.

8. Recovery of Fund Administration Expenses:

Insurers may recover administration and fund management expenses on a quarterly basis, from the unclaimed amounts. Such charges may be recovered at the end of every quarter, up to a maximum of 20 basis points per annum on the said underlying funds at the beginning of every quarter.

9. Unclaimed Amounts and Solvency Margin:

The (i) liabilities representing unclaimed amounts and the investment income accrued or earned thereon; and (ii) the investments representing such amounts, shall not be considered towards computation of available solvency margin of insurers.

10. Maintenance of Records and Reporting of Unclaimed Amounts:

(1) Insurers shall maintain the policy-wise detailed records of unclaimed amounts and investment income accrued thereon.

(2) The Authority may call for any information regarding the unclaimed amounts and the related investments from the insurers and it shall be the duty of insurers to furnish such information sought by the Authority.

(3) Insurers shall furnish the returns as specified in Form A, Form B, and Form C certified by the CEO and Compliance Officer, to the Authority on a Quarterly basis.

(4) Insurers shall furnish an intimation of transfer of Unclaimed Amounts to the Senior Citizen's Welfare Fund (SCWF) to the Authority in the format enclosed as Form D in Schedule I within 7 days from the date of transfer.

Schedule-I

Form A

Statement showing the Age-wise Analysis of the Unclaimed Amount of the Policyholders as on _____
(Rs. In Lakhs)

Particulars	Total Amount	AGE-WISE ANALYSIS							
		0-6 months	7-12 months	13-18 months	19-24 months	25-30 months	31-36 months	37-120 months	More than 120 months
Claims settled but not paid to the policyholders/beneficiaries due to any reasons except under litigation from the policyholders/beneficiaries									
Sum due to the policyholders/beneficiaries on maturity or otherwise									
Any excess collection of the premium/tax or any other charges which is refundable to the policyholders/beneficiaries either as terms of conditions of the policy or as per law or as may be directed by the Authority but not refunded so far									
Cheques issued but not encashed by the policyholder/beneficiaries									
Total									

Form - B

Progress of settlement of unclaimed amounts during the quarter ending _____

(Amount Rs lakhs)

Particulars	unclaimed cases as at beginning of current quarter		Add: unclaimed cases added during the current quarter		Less: unclaimed cases settled during the current quarter		Add: Income accrued during the quarter	unclaimed cases as at the end of the current quarter	
	Number	Amount	Number	Amount	Number	Amount	Amount	Number	Amount
Claims settled but not paid to the policyholders / insured due to any reasons except under litigation from the insured / policyholders									
Sum due to the insured / policyholders on maturity or otherwise									
Any excess collection of the premium/ tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the Authority but not refunded so far									
Cheques issued but not encashed by the policyholder / insured									
Total									

Note: Current quarter means the quarter immediately preceding the Policyholders Protection Committee meeting. Previous quarter means the quarter immediately preceding the current quarter.

Certificate:

It is hereby certified that the details of Unclaimed Amounts of Policyholders have been updated on our website as specified in the Master Circular dt. 12th November, 2020.

The Total Number of cases with outstanding more than Rs 1000/- is _____ and the Total Amount of claims corresponding to the same is Rs _____ (lakhs).

Form C

Details of Unclaimed Amount and Investment Income

(Rs. In Lakhs)

Particulars	Current Quarter		Previous Quarter	
	Policy Dues	Income Accrued	Policy Dues	Income Accrued
Opening Balance				
Add: Amount transferred to Unclaimed Fund				
Add: Cheques issued out of the unclaimed amount but not encashed by the policyholders (To be included only when the cheques are stale)				
Add: Investment Income on Unclaimed Fund				
Less: Amount of claims paid during the quarter				
Less: Amount transferred to SCWF (net of claims paid in respect of amounts transferred earlier)				
Closing Balance of Unclaimed Amount Fund				

**Details of Transfer of Unclaimed Amount of Policyholders for more than 10 years to
Senior Citizens' Welfare Account**
(Reference: Rule 3 of Senior Citizens' Welfare Fund Rules, 2016)

Name of Insurance Company:

Registration Number:

Date of Intimation:

SR No.	Unclaimed Amount of Policyholders more than 10 years	Amount transferred	Date of Transfer

This is to certify that a sum of Rs..... (In words Rs.....) representing Unclaimed Amount of Policyholders outstanding for more than 10 years as on..... have been transferred to the Senior Citizens' Welfare Fund Account as per the details given above. We hereby certify that the amount, as per above details, stands credited to the Account.

Date:
Place:

(Signature)
Compliance Officer

(Signature)
Chief Executive Officer

Appendix

S. No.	Circular Reference No. & Date
1	IRDA/F&A/CIR/Misc/173/07/2017 Dt. 25.07.2017
2	IRDA/F&A/CIR/Misc/20/02/2018 Dt. 06.02.2018
3	IRDA/F&A/CIR/Misc/105/07/2018 Dt. 11.07.2018
4	IRDAI (Non-Linked Insurance Products) Regulations 2019 and IRDAI (Unit Linked Insurance Products) Regulations 2019 – the vested/ accumulated amounts relating to pension/ annuity policies may be settled in terms of the Regulations and may not be treated as unclaimed.