Synergy for Widening the Horizons of the Insurance Industry

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Agenda

➢ Connecting with the rural masses by UIDAI through Aadhaar

  ➢ Challenges in Service Delivery

  ➢ Challenges in Financial Inclusion

  ➢ Aadhaar Overview

    ➢ Identity Infrastructure

    ➢ Aadhaar FI platform

    ➢ Program Status

  ➢ Aadhaar integration with Insurance

  ➢ Summary

Challenges in Service Delivery

- Identity - **Inclusion** of the **undeserving** and **exclusion** of the **deserving;** fake, multiple and ghost identities

- Various identities currently used based on **demographics** that can be **easily manipulated**

- Accountability - Systemic loopholes do not provide for absolute accountability of transactions at all levels

Challenges in Service Delivery

- Reach - With over 600,000 villages in the country, many are **denied access** to services

- Document based identities that are **not amenable** to electronic transactions

- No primary key to establish linkage across services

- Establishing integrity of transaction – No robust system to establish authenticity of the beneficiary

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Challenges in Delivery of Financial Services

Financial Inclusion - Definition

"Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost "
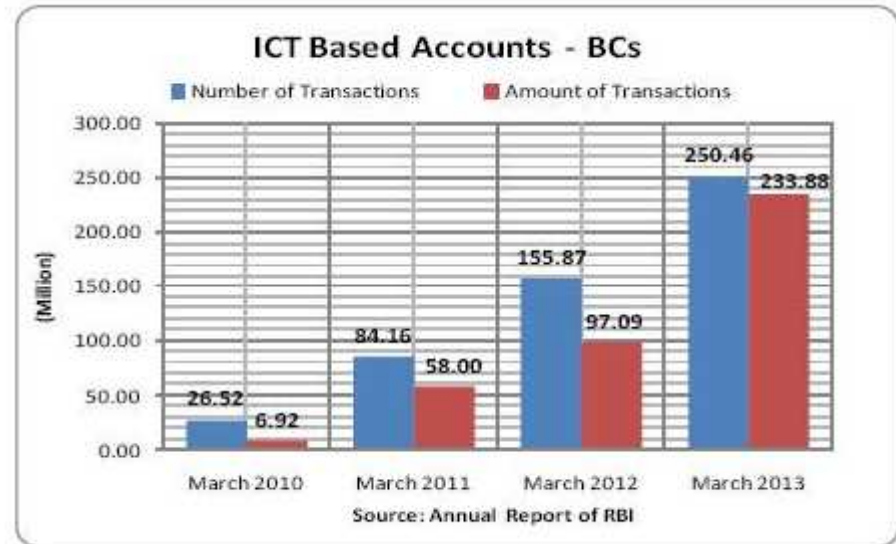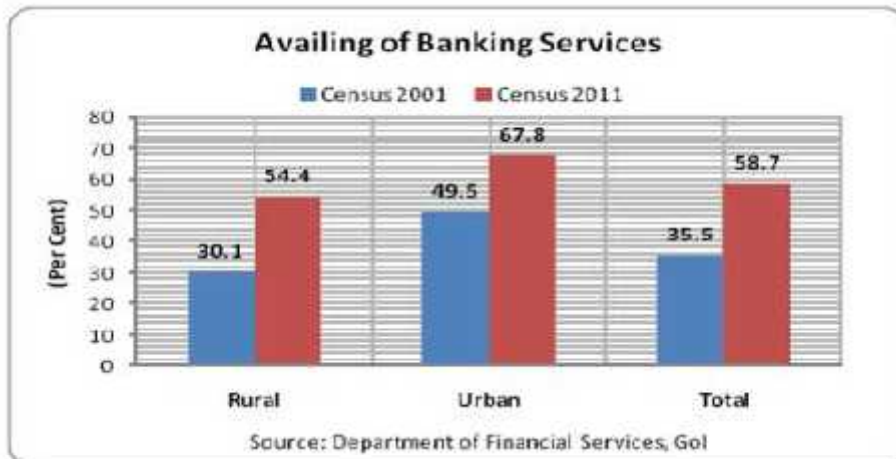
(The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

"Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as **insurance** and equity products"

(The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan)

Financial Inclusion in India

Availing of Banking Services

Source: Department of Financial Services, GoI

ICT Based Accounts - BCs

Source: Annual Report of RBI

Insurance for Rural India:

Over 70% of total population resides in the rural areas of the country. However, insurance reaches less than 3% of the total population.

Due to high competition and relatively high market saturation in the urban areas, rural areas provide ample business opportunities for insurance firms

Challenges in Delivery of Financial Services

- Meeting KYC norms; beneficiary lacking POI and POA
- Dependency on Brick and Mortar setups
- Reach to rural India limited
- Usage of BCs for Financial Transactions has constraints
  - No interoperability
  - Digital Authentication not online

Potential of Aadhaar

- ✓ Financial Sector regulators (RBI, SEBI, IRDA, PFRDA) have notified **Aadhaar as valid for KYC**

  As per Rule 2(1)(d) of PMLA Guidelines, Aadhaar is accepted as an officially valid document for all financial transactions for the purpose of ID and Address

- ✓ Online 24x7 eKYC service; instantaneous

- ✓ BCs with microATMs **interoperable**; all interactions **online**

Aadhaar – An Identity Infrastructure

Leveraging Aadhaar platform for Financial Sector

|		
Opening of Bank Account	**AEBA**	*Aadhaar Enabled Bank Account* Aadhaar as **POI, POA** for KYC as per RBI notification
Meeting KYC norms	**eKYC**	Online electronic service Paperless, instantaneous Approved by RBI Audit trail available for tracking
Payment to Bank Account	**APB** AADHAAR PAYMENT BRIDGE	*Aadhaar Payment Bridge* **Aadhaar as Financial Address** Payment based on Aadhaar no.
Withdrawal from Bank Account	**AePS** AADHAAR ENABLED PAYMENT SYSTEM	*Aadhaar Enabled Payment System* Electronic banking to the **common** man Inter-operable, portable, convenient

AEBA

- Traditional process for account opening
  - paper based, **expensive**
  - **difficult** to reach out
  - **exclusion** due to lack of proof
  - camps are **chaotic**

Existing Process
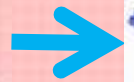
1. Takes Copy of document
2. Verifies with original
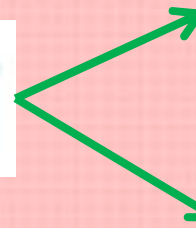
Photocopy - Document Storage

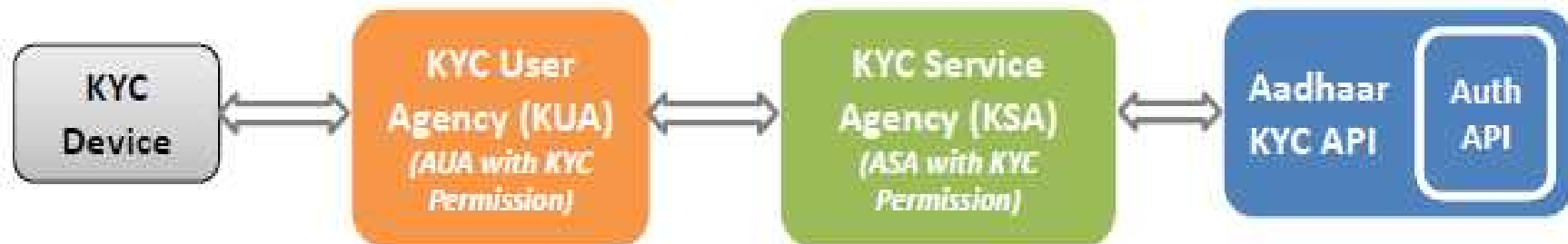Scanned image of Document

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AEBA – **Simplified** account opening

- RBI notification recognising Aadhaar as PoI and PoA

- e-KYC service – Instantaneous , authenticated, paperless, low cost,

- Handhled PoS / Mobile/Tablet based e-KYC for greater reach

e-KYC Authentication Device

1111 2222 3333

e-KYC

UIDAI e-KYC Service

KYC data flows to bank Servers
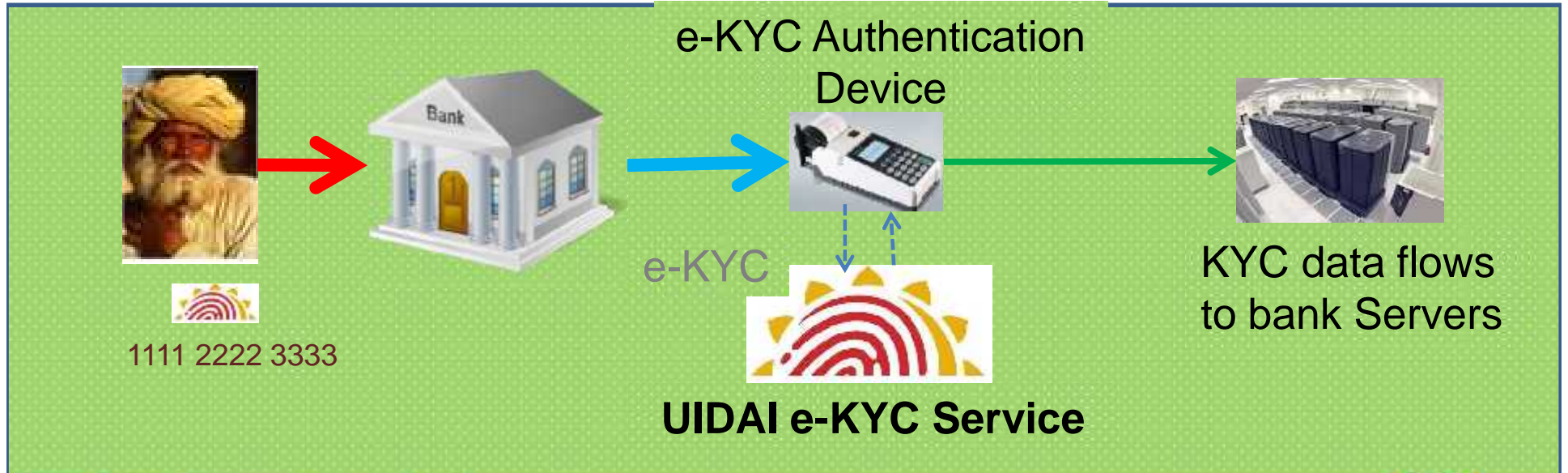
eKYC Transaction Flow

- The auth device captures Aadhaar number + biometric/OTP of resident and forms the encrypted PID block

- KUA forms the Auth XML using the PID block, signs it, and sends to KSA

- KSA forms the KYC XML, signs it, and forwards it to Aadhaar KYC service

- Aadhaar KYC service authenticates the resident and if successful responds with digitally signed and encrypted demographic and photograph in XML format

- Demographic data and photograph in response is encrypted with KSA/KUA public key allowing KSA/KUA to store the data and provide additional value-added services as per any extended KYC requirements

- KSA sends the response back to KUA

eKYC Features

Aadhaar based e-KYC Services provide a platform for verification of Proof of Identity (PoI) and Proof of Address (PoA) in the electronic format with the following features

- **Compliant with IT Act**
- **Scalable**
- **Eliminates Document Forgery**
- **Paperless**
- **Consent Based**

- **Digitally signed by UIDAI and thus non-repudiable**
- **Instantaneous**
- **Machine Readable**
- **Inclusive**
- **Low cost**

Overview - Aadhaar Payment Bridge

APB
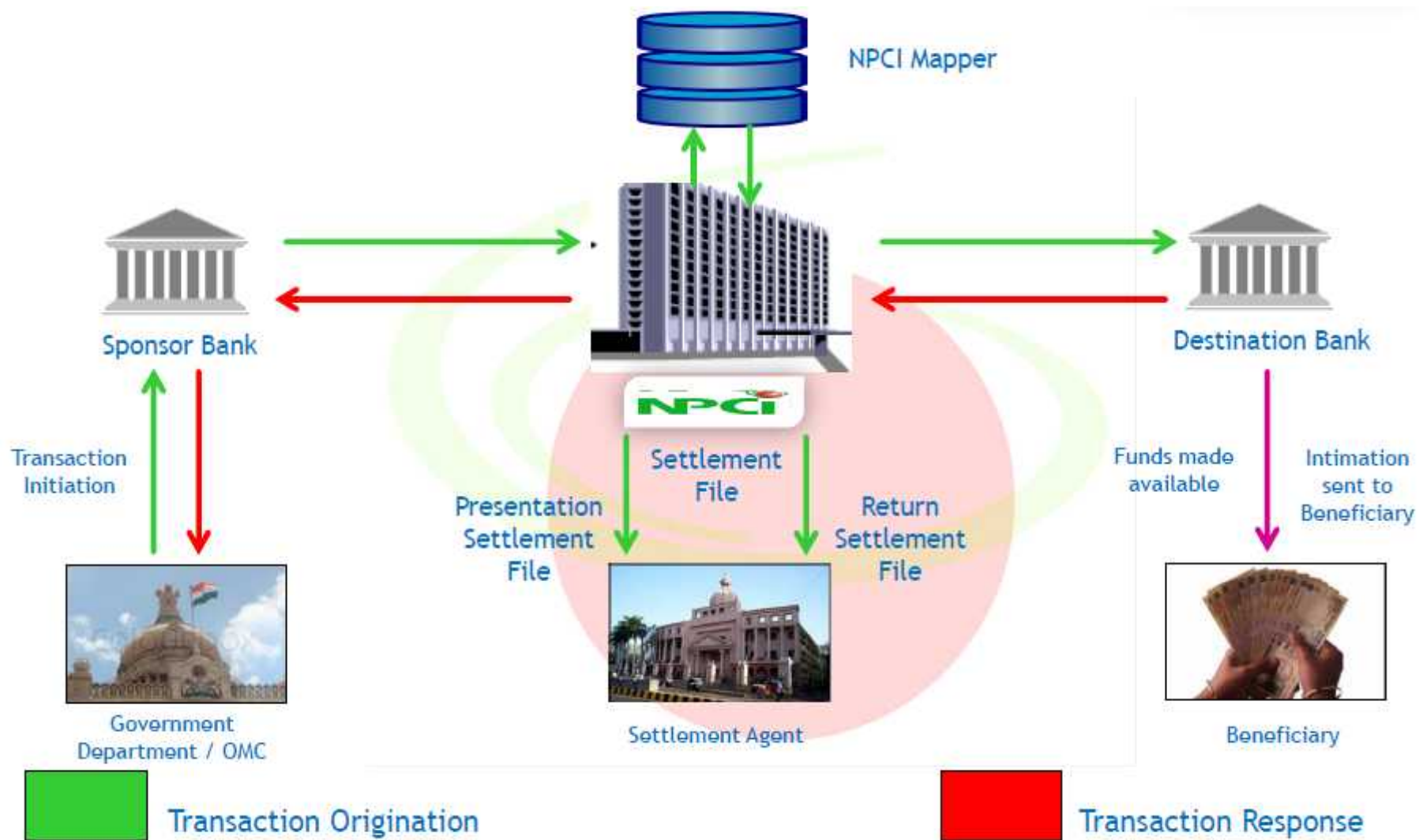AADHAAR PAYMENT BRIDGE

What is APB?

- Payment service offered by **NPCI**
- Aadhaar number linked to resident's bank account
- Use of **Aadhaar as Financial Address**

Why APB?

- Enables electronic flow of funds to beneficiary account
- One time seeding of Aadhaar required
- Unaffected by change of bank or account by resident

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APB – Process flow

NPCI Mapper

Sponsor Bank

Destination Bank

Transaction Initiation

Settlement File

Presentation Settlement File

Return Settlement File

Funds made available

Intimation sent to Beneficiary

Government Department / OMC

Settlement Agent

Beneficiary

Transaction Origination

Transaction Response

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Last Mile Solution

AePS — AADHAAR ENABLED PAYMENT SYSTEM

Resident's bank account

Resident

10. Call / SMS

5. Authorize

6. Debit

4. Authenticate

UIDAI

Interoperable Switch

1. Withdrawal request

9. Cash

7. Credit

3. Forward to switch

8. Confirmation

BC Bank

2. Aadhaar no., transaction data, biometric

BC with Micro-ATM
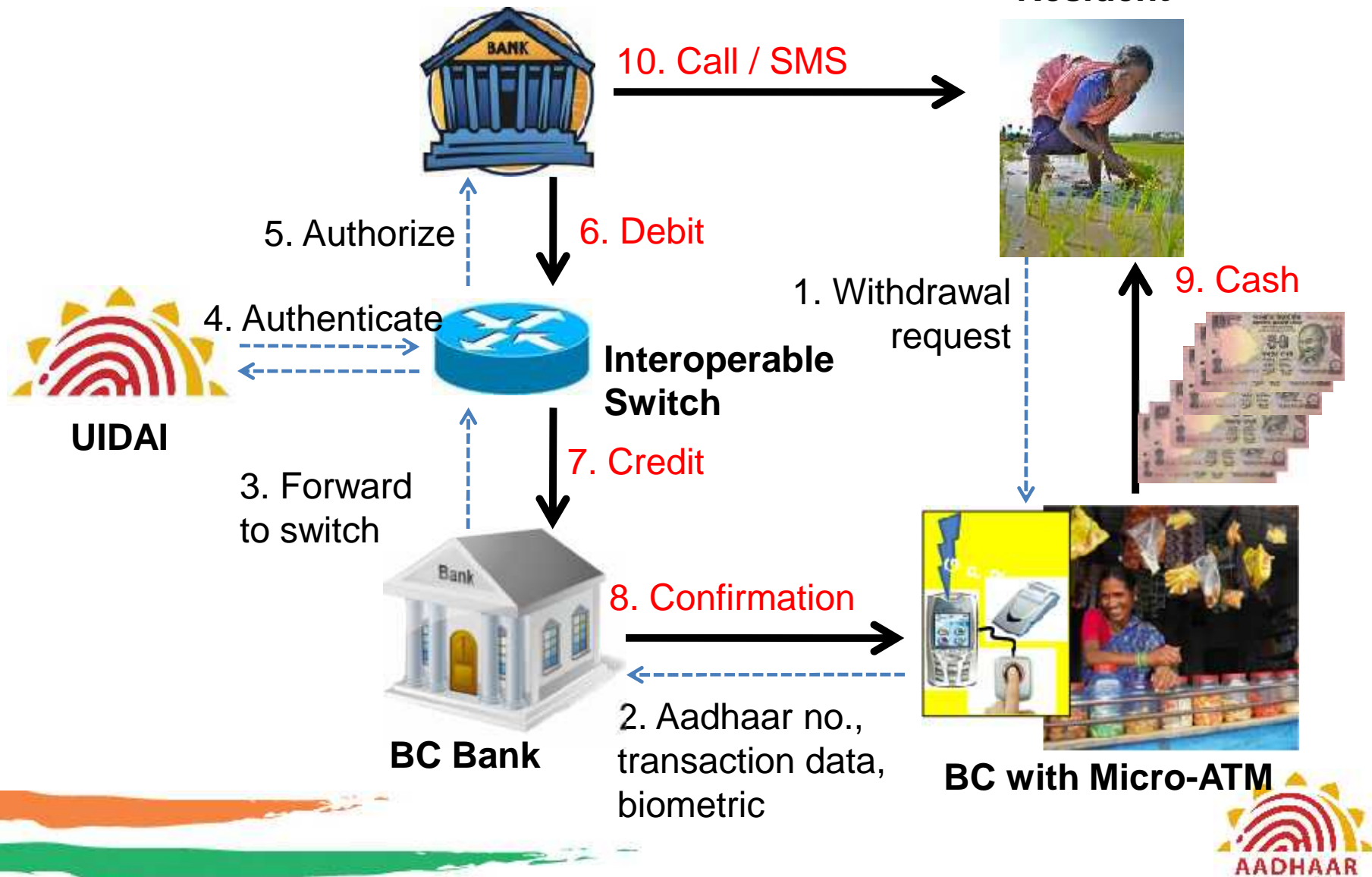
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Micro-ATM: The Game Changer

Key Features of Micro-ATM

1. Integrated, handheld, battery powered
2. Connectivity – GPRS, 3G, Wifi
3. Standards laid out by RBI and IBA
4. Biometric scanners certified by STQC

Enables Aadhaar holder to:

1. Withdraw money
2. Deposit money
3. Send and receive remittances

Transaction time less than 15 seconds – Verified across various geographies

AePS
AADHAAR ENABLED PAYMENT SYSTEM

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Aadhaar Program Status

- Over 82 Crore Aadhaar generated
  - Universal Coverage by 2015
- Banks on-boarded onto APB platform – 490
- Aadhaar numbers linked in NPCI – 16.9 Crore
- IRDA accepted Aadhaar as full KYC (POI and POA)
- IRDA approved e-KYC and issued circular;
- APB (Jan 2015)- 56,49,249
- Txn ₹584,75,81,114
- eKYC transactions – 25,475,850

Insurance Life-Cycle Leveraging Aadhaar

Stage	Issues	Aadhaar	Benefits
Acquisition	•Costs; •Exclusion	•e-KYC	•Reducing Costs; •Better penetration, especially in Rural
Issuance	•High Returns (RTS); •High TAT	•e-KYC; •Interoperable BC Network with MicroATMs & AEPS;	•Instant Issuance; •e-Insurance Policy
Customer Tracking	•No accurate way of tracking; •Nominee's details	•Aadhaar seeding with the Insured and the Nominee	•Fool proof tracking

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Insurance Life-Cycle Leveraging Aadhaar

Stage	Issues	Aadhaar intervention	Benefits
Renewal Business	•High Lapsation	•Interoperable BC Network with MicroATMs & AEPS;	•Better retention due to ease of payment collection
Settlement	•Ensuring the settlement to reach the right beneficiary	•Aadhaar seeding with the Insured and the Nominee; •Aadhaar Authentication •APB	•Electronic Audit Trail of the Payment
Fraud Monitoring and Control	•No accurate way of tracking esp in Mediclaim);	•Aadhaar seeding with the Insured and the Nominee;	•Fool proof tracking

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Benefits of Using Aadhaar

Life Insurance Pain Areas	UID Based Solutions

• KYC Documentation
  – KYC returns
  – TATs
	• Approved by IRDA & PMLA
	  – Aadhaar as POI and POA

• Premium Collection
  – Cash Handling (Sec 64V(b) & PMLA regulation)
  – Reconciliation
	• **Online, Cashless** transfer from Aadhaar linked a/c with audit trail

• Persistency (Renewals) – Accessibility	• Standing instructions & Access to Micro-ATMs

• Claims Management
  – Beneficiary identification (Fraud)
  – Customer Acknowledgement
	• Beneficiary UID Authentication
	  – Fund transfer to Aadhaar linked A/c
	  – Audit trail for acknowledgment

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Benefits to Customer

- Cost of Acquisition
  - Single KYC reduces documentation cost and RTS related costs (Easy issuance)
- Cost of Servicing and retaining Customers
  - Easy and reduced cost of transfer of funds (benefits passed back to customers)
  - Renewal becomes hassle free (Direct relationship with Insurer)
- Salient Benefits
  - Reduced TAT for all stakeholders across the value chain hence real time Straight Through Process (STP)
  - Audit trails for all the premiums collected
  - Immediate delivery of (Dematerialized) policy to the customer
  - Improved customer experience with access from anywhere in India
  - Reduced frauds protect all stakeholders
  - Aadhaar based monitoring of each client and beneficiary

Connecting with Rural India

✓ Robust Flexible Identity Infrastructure established

✓ Digital Reach to Rural India in place

✓ Access to Market for insurance

✓ PM Jan Dhan Yojana - bank accounts created

✓ Usage of technology in rural India on the rise

➢ **Timing is just right to leverage Aadhaar for Insurance in Rural India**

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