

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. 493

To be answered on the February 6, 2023/Magha 17, 1944 (Saka)

Unethical Selling of Insurance Policies

493. SHRI DUSHYANT SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether there have been instances of mis-selling or unethical selling of a particular company's insurance policies through Public Sector Banks (PSBs);
- (b) if so, the details thereof, including but not restricted to the number of mis-sold insurance policies in the last three years along with the number of mis-selling complaints per 1000 policies as of January, 2023; and
- (c) the steps taken by the Government to ensure that PSBs do not engage in afore-mentioned behaviour/practice?

ANSWER

THE MINISTER OF STATE FOR FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): The Reserve Bank of India (RBI) has informed that, as per its Master Direction (Financial Services provided by the Banks) Directions, 2016, banks have Board approved policy encompassing model of insurance distribution to be adopted and ensuring customer appropriateness and suitability of products, transparency and disclosures. Specific provisions ensuring customer appropriateness and suitability include, *inter alia*, standardised system of assessing the need/suitability of products for a customer, treatment of customers fairly, honestly and transparently with regard to suitability and appropriateness of the insurance product and to state to the customers that purchase of any insurance product is purely voluntary, is not linked to availment of any other facility from the bank and is not restricted to a product of particular insurance company.

Public Sector Banks (PSB) have informed that measures undertaken to prevent mis-selling include, *inter alia*, the following—

- (i) system of “Pre-issuance Welcome Call” to the customer with an objective to onboard customer only after making a verification call and seeking confirmation, and option of “Free look Period” of 15 days;
- (ii) strengthening need-based selling of best suited insurance products by adopting scoring model and risk profile of the customer; and
- (iii) recording of customer's consent digitally; and
- (iv) comprehensive Standard Operating Procedures for handling complaints and robust internal grievance redressal mechanism with a Board approved customer compensation policy.

As per inputs received from PSBs, the details of instances of mis-selling by PSBs are as under: -

FY	No. of mis-selling instances	Mis-selling complaints per 1000 policies
2019-20	94	0.003
2020-21	157	0.005
2021-22	129	0.004
2022-23 (up to 31.12.2022)	50	0.002

RBI has further informed that it has also directed banks not to follow any restrictive practices of forcing a customer to either opt for products of a specific insurance company or link sale of such products to any banking product.
