

Rising trend in mis-selling of insurance products: RBI report

According to the Financial Stability Report 2013 released by the Reserve Bank of India, there has been an increase in complaints of mis-selling of insurance products in recent years.

Mis-selling refers to unfair or fraudulent practices adopted at the time of soliciting and selling insurance policies which have not been sought by the customer or where the customers feel that the policies sold are different from what they wanted or what they were promised. Increasing number of complaints of mis-selling may affect the confidence of general public in insurance products, intermediaries and insurance companies.

Trends in Complaints of Mis-selling			
Particulars	2013-14 (up to Sep 30, 2013)	2012-13	2011-12
Complaints on unfair business practices	109419	157688	91298
Total complaints	185769	322810	295196
Per cent of total complaints	58.90	48.85	30.93

The report also states that complaints of mis-selling could impact the continuation of policies affecting the cash flows of insurance companies. This means that if a customer s who have been sold policies, which do not suit their requirements are likely to surrender their policies or stop making further premium payments which will not only result in a loss for the customer but also affect the cash flow of insurance companies.

Mis-selling will also seriously affect the demand for insurance which could have serious implications on insurance as an instrument to tap savings which can be used for long term investments for the economy.