Insurance Policy Admin System Review

ANB has conducted detailed review of a leading life insurance company's Policy Administration System

29 Life Insurance Products	**12** Unit-Linked Plans	**12** Pure Traditional Plans	**02** Indiviual Endownment Plans	**03** Group Plans

ANB

client brief

The company is one of India's growing life insurance companies and offers a diverse range of wealth management, protection and retirement solutions to individual and corporate customers.

business needs

Owing to the latent intricacies involved in insurance products, it is of paramount importance to ensure that the policy administration system implemented by the insurance company is built to support operational efficiencies, adhere to regulatory requirements along with data integrity.

IRDA conducts onsite inspection of Life Insurance Companies on a periodic basis which would involve assessing of risks in internal control procedures highly dependent on a resilient ERP system.

challenges

Multiple business functions viz. Legal, Compliance, Actuary and IT are involved in all stages starting from development to implementation of a life insurance product in Policy Admin System.

The client had opted for a standard vendor developed solution with minimal flexibility options, potential data security limitations and functionality restrictions. Following challenges were inevitable:

- Risk of misinterpretation of product features due to absence of skilled staff with business knowledge in IT department.
- Sacrosanct system fields leading to heavy dependency on back-end configurations.
- Complex product masters and perplexing calculations for premium, surrender value and claims.

ANB

solution approach

the solution :

ANB with its qualified personnel, helped the client to strategically assess, remediate and improve control issues identified in the Policy Admin System, while also elevating the profile of internal audit in identifying and addressing complex emerging risk areas.

the approach :

Following approach was adopted for project:

System Walkthrough
Understanding System Modules

Understand the Product
Study File & Use and prepare a Checklist and Test Worksheet

Product Master Review
Map Each condition in File and Use against setup in Policy Admin System

Transaction Testing
Check if the system calculates and adheres to F&U conditions as expected

Identify Day-2 Functions
Identify Day-2 functionalities for a product and check setup

ANB

major findings encountered:

configuration issues:

- Boundary conditions (viz. Minimum Maturity Sum Insured, Minimum premium, Premium Payment Term etc.) not configured / incorrectly configured.
- Product masters viz. premium rate tables / surrender value factors incorrectly setup.
- Death Benefit, to be paid to claimant, incorrectly setup.

regulatory breaches:

- Proposal accepted with proposer being a minor, in violation to Indian Contract Act.
- Proportionate risk cover for Free-look policies not deducted while refunding the premium to customers.
- Service Tax erroneously calculated on mortality charges, policy administration charges

functionality issues:

- Staff Discounts on premium / ULIP charges not applied to policies tagged as 'Staff'.
- Paid-up value / Surrender Value incorrectly calculated.
- Revival allowed on a lapsed policy after end of revival period.

Ms. Smita Gune
Director, BRM Services
smita.gune@anbglobal.com
+91 98211 34191

Mr. Amit Dedhia
Sr. Manager, BRM Services
amit.dedhia@anbglobal.com
+91 98332 83643

ANB