

Ombudsman's role in Grievance management in Insurance sector

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Abstract - Customer satisfaction is most important contrivance for the sustainable growth of any service sector. Insurance companies will shoulder the risk of others when they are desperately in need. The role of insurance companies has taken different directions covering all types of risks from “Class to Mass” covering all the sectors of the economy. This has increased a tremendous pressure on the part of insurance companies in catering the several needs of its customers. The insurance ombudsman scheme was introduced by Government of India for individual policy holders to settle their complaints out of courts system, with cost effective, efficient and unbiased manner. In spite of the existence of number of policy measures, the number of complaints are amplifying in recent years due to lack of awareness on the services of insurance ombudsman among insurance customers. Therefore, it is a matter of big concern in recent days as insurance sector is vast one. An ombudsman is a mediator who represents the grievances made by customers and passes awards or suggestions to insurer and insured. There are seventeen ombudsman jurisdictions in India to settle the grievances jurisdiction wise. The Governing Body of Insurance Council (GBIC) has been established under redressal of Public Grievances Rules 1998, to set-up and facilitate the Institution of Insurance Ombudsman in India to protect the interests of different types of insurance policy holders. Ombudsman, (Amendment) Rules, 2021 are brought into existence to protect the interests of several policy holders.

The present study focuses in imparting an exposure and awareness to the insured when insurance claim is repudiated by insurer, and the role of Insurance ombudsman, in redressal system in India.

Index Terms – IRDA, Insurance ombudsman, grievance, complaint, award system.

INTRODUCTION

Social security system in India is quite different with the traditional responsibility of family or community

in case of any calamity in the family. However, with the break up of joint family system, urbanization and industrialization made it necessary to make institutionalized social security arrangements by the state. In this direction insurance came into existence. Insurance is a form of risk management which is used primarily to hedge against the risk of contingent or uncertain loss. Insurance companies will shoulder the risk of others when they are desperately in need. In spite of its existence from ancient times, insurance occupies an important place in every walk of life in this complex world. Moreover, insurance sector, as a financial intermediary, acts as a mobiliser of savings and promoter of investment activities. It places a significant role in the economic development of the country which in turn facilitates the development of insurance sector. However, customer satisfaction is most important contrivance for the sustainable growth of any service sector. Therefore, the Governing Body of Insurance Council (GBIC) has been established under Redressal of Public Grievances Rules 1998, to set-up and facilitate the Institution of Insurance Ombudsman in India to protect the interests of different types of insurance policy holders. To overcome the deficiencies in Ombudsman (Amendment) Rules, 2016, Ombudsman, 2021 are brought into existence to protect the interests of several policy holders.

(AMENDMENT) RULES

An ombudsman is official appointed by under rule 7, insurance ombudsman Rules, 2016, to investigate and do the mediation/give suggestions on the complaints given by the private individuals or parties against business, other institutions including government. Insurance ombudsman will be selected among persons having experience of the insurance industry, civil service, administrative service or judicial service.

Ombudsman shall be selected by selection committee comprising of chairman of IRDA and members from executive council of insurers and government of India. An ombudsman can be appointed for three years and eligible for reappointment, however, not after attaining the age of 70 years. An ombudsman can be removed from office on the ground of gross misconduct during his term office as per the procedure specified in Insurance ombudsman rules, 2021.

Territorial jurisdiction of Insurance Ombudsman

The office of the Insurance ombudsman shall be located such places as specified by Executive Council of Insurers from time to time. Accordingly, the details of the jurisdictions of current insurance ombudsman include Ahmadabad, Bengaluru, Bhopal, Bhuvanewar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Ernakulam, Kolkota, Lucknow, Mumbai, Noida, Patna and Pune. Any policy holder, who has grievance against insurance company, has to lodge the complaint in writing to the insurance ombudsman in their concerned jurisdiction.

WHY INSURANCE OMBUDSMAN

The need for financial education to take better financial decisions is widely recognized all over the world. Insurance companies are addressing the problem financial illiteracy of customers through various channels such as insurance agents, newspapers, television etc. In spite the Indians are good savers, they are not taking better financial decisions due to financial risk. So, there is a need to reorient about the benefits of financial protection as well as long term wealth creation. Insurance risk issues is an important tool that complements insurance regulatory and supervisory framework. There is a heterogeneity of insurance providers and distribution channels that may result failure of insurance mechanisms in facilitating the prompt payments to policy holders. It is an alarming one among the policyholders to represent their grievances when the insurer lets policy holder down. In these circumstances, insurance ombudsman works as a mediator between insurer and insured to solve the grievance at the earliest.

Ombudsmen serve as a source of information about policies and procedures. They serve as an unbiased party. They are able to promote communication

between parties and clarify issues that stifle progress. An ombudsman's decision may or may not be legally bound based on jurisdiction, where they operate. They will typically have a large degree of independence and autonomy in fulfilling their function. This is to enable the official to act in a fair and impartial way to all parties involved in a complaint. The decisions carry considerable weight, even if they are not legally binding. If the complainant disapproves of the resolution, they may pursue other actions, such as suing the institution etc.

SKILL AND PROFESSIONAL REQUIREMENTS OF OMBUDSMAN

The most important skills of an effective ombudsman include active listening, communicating successfully with a diverse range of people, remaining nonjudgmental, having the courage to speak up and address problems at higher levels in an organization. He should have acquiring and demonstrating the skill set such as analytical & problem-solving skills and conflict resolution skills.

TYPES OF OMBUDSMAN IN GENERAL

The services of an ombudsman are dependent on the nature of grievance and the institution which has aggrieved. If the complainee is a member of an organization, seek an ombudsman dedicated to resolving issues for that organization and likewise for other entities. In the U.S., the United States Ombudsman Association provides a list of websites for public ombudsmen in the United States and parts of Canada.

Organizational Ombudsman

An ombudsman within an organization may have a primary function of dealing with internal issues, such as complaints by employees, or, in case of educational institution, complaints by its students.eg, Department of Health Care Services, USA. An ombudsman may investigate specific complaints about the services or other interaction a consumer has had with the entity concerned.

The primary duties of an organizational ombudsman are (1) to work with individuals and groups in an organization to explore and assist them in determining

options to help resolve conflicts, problematic issues or concerns, and

(2) To bring systemic concerns to the attention of the organization for resolution

An organizational ombudsman operates in a manner to preserve the confidentiality of those seeking services, maintains a neutral/impartial position with respect to the concerns raised, works at an informal level of the organizational system, and is independent of formal organizational structures.

Industry Ombudsman

An industry ombudsman, such as a telecommunication, insurance, banking, ombudsman, may deal with consumer complaints about unfair treatment the consumer received from a company that operates within that industry. Especially at the government level—an ombudsman will seek to identify systemic issues that can lead to widespread rights violations or poor quality of service to the public by the government or institution.

Classical Ombudsman

Ombudsmen duties may be more wide-ranging nationally. For example, some countries have ombudsmen in place to deal with issues like corruption, abuses of power by officials, protection of human rights etc.

Long-term care ombudsman

A long-term care ombudsman is an official who oversees nursing and assisted living facilities and is an expert in the associated laws and regulations.

- Advocate Ombudsmen. ...
- Hybrid Ombudsmen. ...
- Executive Ombudsmen. ...
- Legislative Ombudsmen. ...
- Media Ombudsmen

Investigations conducted by ombudsmen may vary based on situation and case to case. The length of the completion of case is determined by the type and complexity of the complaint, available resources to resolve the complaint, as well as other factors. If simple, it could be approximately 90 days. If the complaint involves multiple parties or complicated processes, it could take up to nine months. However, the ombudsman should communicate those expectations and keep in contact with you during the

investigation to update you on the status or request any additional information supporting the claim.

OMBUDSMAN – DOES/ NOT DO

- An ombudsman will have an independent position in the organization and works informal, neutral and confidential.
- Investigations take time and may require additional resources. Dedication and service creates the trust of the complainant and the audience they are appointed to serve. Benefits are given in the form fee and will be given based on results.

The following activities are not undertaken by ombudsman:

- Participate in formal investigations or play any role in a formal issue resolution process
- Serve in any other organizational role that would compromise the neutrality of the ombudsman role
- Receive notice for the organization
- Make binding decisions or mandate policies
- Create or maintain records or reports for the organization
- An ombudsman cannot investigate a case, if it is submitted to a court.

ROLE OF OMBUDSMAN IN INSURANCE SECTOR

Insurance Ombudsman typically has two types of functions – Conciliation and Award Making. The institution is authorised to receive and address the complaints of the customers. Such complaints may associate to any grievance against the insurance service provider like:

- Any total or partial denial or refutation of claims by the insurance company.
- Disputes related to payable or paid premiums.
- Disputes related to the legal structure of the policy's wordings.
- Delay in the process of settling claims.
- Not issuing insurance documents related to the policy even after receiving the premium amount

However, the powers of insurance ombudsman are restricted to the insurance contracts value not more than Rs. 20 lakh.

Procedure for lodging a complaint to insurance ombudsman:

Any person including a sole proprietor, micro entrepreneur, members covered in a group insurance policy who has a grievance against an insurer may by himself or through his legal heirs, nominee or assignee or employer as the case may be can approach an Insurance Ombudsman for Redressal of any grievance. Grievance is accepted within 12 months from the date of receiving order of the insured denying the representation or from the date of receiving the decision letter of insurance company which is not satisfactory to the complainant or after one month from the date of sending representation to the insurance service provider if they fail to give an appropriate reply to the appellent.

DETAILS TO BE GIVEN OMBUDSMAN

The concerned insurance ombudsman are allowed to address the complaints and act wisely to provide necessary support to the customers after receiving the following information from them.

- A policy holder/ nominee/ assignee/ legal heir who has a grievance against insurance company can lodge a complaint with ombudsman in the specified territory which falls in their area.
- The complaint should clearly state the name, address and other important details of complainant , the address and name of the insurance company against whom the grievance is made, reasons for lodging the complaint, type of the amount of loss caused, support required from

the concerned insurance ombudsman along with relevant documents.

Checking of insurance ombudsman complaint status

1. Call Toll Free Number 155255 (or) 1800 4254 732 or. Send an e-mail to complaints@irdai.gov.in.
2. Make use of IRDAI's online portal - Integrated Grievance Management System (IGMS): Register and monitor your complaint at igms.irda.gov.in.

AWARD

If a settlement by recommendation does not work, the Ombudsman will:

Pass an award within 3 months of receiving all the requirements from the complainant and which will be binding on the insurance company

Once the Award is passed

The Insurer shall comply with the award within 30 days of the receipt of award and intimate the compliance of the same to the Ombudsman.

CASE STUDIES

Some practical cases where policyholders made complaints to insurance ombudsman and the judgments in those cases are specified to give an exposure to the public & aggrieved policyholders so that can use the services of ombudsman to solve their grievances.

Region of Ombudsman	Brief facts of the case	Findings of the case	Decision
Ahmedabad (Ref.case no. 21-001-0314)	At the time of taking the policy life assured has informed about his state of health in detail and submitted requisite special reports. The proposal was accepted with extra premium.	The life assured died within ten months from the date of proposal. The claim was repudiated on the ground that suppression of material facts on the basis of certificate of treatment, letters of doctors and hospital. It was observed that all the treatment was started after days from the acceptance of risk. All the documents proved that the deceased was not aware of his ailment at the time of taking proposal	The insurer was directed to pay the full claim amount.
Bhubaneswar (Ref.case no. 21-002-0217)	Insurer alleging suppression of material facts concerning health and pre-existing illness by the life assured.	Insurer could not prove beyond doubt that the life assured suffered from serious illness before taking the policy.	The insurer was directed to settle the claim within one month from the receipt of consent letter
Bhopal (Ref.case no. LI-1025-21/09/07)	The deceased life has misrepresented his age by giving a voter id which is different from his original	The deceased insurer understated his age deliberately being a Govt. employee to defraud the insurer, in order to accept the	The decision taken by the insurer in repudiating the claim is just and fair. Therefore, the complaint is

	age as per Govt. records, being a Govt. employee.	proposal and there by misled the insurer in taking proper underwriting decision	dismissed without any relief to the life assured.
Chandigarh (Ref.case no. HDFC/397/ Mumbai/Hissar/21/07)	Insurer alleged that it was it was a case of suicide as per the complaint of the father of assured. Hence suicide clause applied, and nothing is payable to the nominees of assured.	Father was not present at the time of death. No suicide note was found. Chemical analysis did not find any poison in the body. The report of panel of doctors did not confirm that death was due to consumption of poison.	Held that sum assured along with accrued bonus if any, be paid to nominee.
Chennai (Ref. case no. I O (CHN)/21/03/2616)	Three persons were travelling in a two-wheeler and met with an accident. Two persons died in the accident. The insurer refused to pay the accident benefit and sum assured as the accident took place due to breach of law .	The FIR and PIR had concluded that it was a breach of law as three persons were travelling. As per Motor Vehicles Act, only two persons are allowed to travel on two-wheeler.	The complaint was dismissed as there is a breach of law. The decision of insurer in repudiating the claim was upheld.
Hyderabad Ref. case no. L-21-009-0438-2006-07	Death claim under ULP policy. The insurer produced the evidence that the treatment for High BP was going on prior to the issue of the policy, which was not disclosed by the insured. Hence the claim was repudiated due non-disclosure of material facts.	The life assured did not disclose treatment for BP in proposal form. He died within nine months of the commencement of policy. The sum assured under the claim was repudiated.	In spite of the decision of the insurer was upheld, since the policy has provision for savings, tht insurer was ordered to pay the investment portion i.e. fund value.

CONCLUSION

Insurance Ombudsmen are appointed by the Governing Body and are empowered to entertain complaints on the following aspects in respect of personal line insurances: Any partial or total repudiation of claims by an insurer. Any dispute in regard to premium paid or payable in terms of the policy. Before AFCA can consider the case, insurance provider must have been given an opportunity to resolve the dispute directly with insured. In most cases, insurer has up to 45 days to respond the complaint. The case studies indicates that insured should give un biased and real & correct information in the proposal form with valid documents at the time of entering into the insurance contract, so that in case of any eventuality, the ombudsman will support the insured when the insurer lets insured down.

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