

Insurance Redressal Mechanism in India*¹

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Abstract- Insurance is a flourishing sector. Its contribution to the economy is huge. As is its contribution so is as its customer coverage. A sector so large with massive clintage can not be defect and issue free. There ought to be numerous challenges and issues that need to be redressed. Insurance sector no doubt has its redressal mechanism but at the same time it is not kept aloof from the eagle eyes of the Government. Indian Government keeps a tight check on it. This paper tries to analyse various channels present in India for settling the disputes of the consumers along with their efficacy to do so.

Key Words: Regulations, IRDA, Ombudsman, Government, Grievance, Redressal.

The economic reforms initiated in the early 90s paved the way for the growth and opening up of the financial sector, which led to a sustained period of economic growth. The insurance industry was opened up for private players in 2000, and has seen tremendous growth over the past decade with the entry of global insurance majors. As new insurers are entering into the market and are offering different innovative products, they have to give more importance to Customer Relationship Management. The life insurance company also has to play an important role in building up the relationship with the policyholders. Relationship management is a suitable strategy for better taking care of the customers. The redress of consumer grievances is a pre-requisite for ensuring long-term customer loyalty and profitability for any business concern. In service companies, handling of customer complaints is all the more necessary. In fact, consumer grievance redress by companies is an effective way of self-regulation, which is beneficial for not only the consumer but also the company and the government.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP. Insurance provides financial

protection for individuals, families and businesses. Insurance assists in making savings possible and helps to furnish a safe and profitable investment. This encourages thrift, minimizes worry and increases personal initiatives. Life insurance is also helpful in reducing the financial burden on the state. Insurers can accumulate money to be invested in the public and private sectors and thus create source for financing for new businesses, new homeowners and for farmers and their equipment. Insurance as a financial service is differently positioned as compared to banking or capital markets. While the other financial services are necessarily investment related and emphasize on return on one's investment, insurance is all about risk coverage. In most cases it is difficult to convince the policyholder that payment of a claim is contingent upon the happening of the event that is covered under the policy.

INSURANCE: DEFINITION, TYPES, TERMS RELATED TO INSURANCE

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured.

Insurance policies are used to hedge against the risk of financial losses, both big and small, that may result from damage to the insured or her property, or from liability for damage or injury caused to a third party.

- Insurance is a contract (policy) in which an insurer indemnifies another against losses from specific contingencies or perils.

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- There many types of insurance policies. Life, health, homeowners, and auto are the most common forms of insurance.
- The core components that make up most insurance policies are the deductible, policy limit, and premium.

The insurer and the insured get a legal contract for the insurance, which is called the insurance policy. The insurance policy has details about the conditions and circumstances under which the insurance company will pay out the insurance amount to either the insured person or the nominees. Insurance is a way of protecting yourself and your family from a financial loss. Generally, the premium for a big insurance cover is much lesser in terms of money paid. The insurance company takes this risk of providing a high cover for a small premium because very few insured people actually end up claiming the insurance. This is why you get insurance for a big amount at a low price. Any individual or company can seek insurance from an insurance company, but the decision to provide insurance is at the discretion of the insurance company. The insurance company will evaluate the claim application to make a decision. Generally, insurance companies refuse to provide insurance to high-risk applicants.

TYPES OF INSURANCE- Insurance in India can be broadly divided into three categories:

Life insurance- As the name suggests, life insurance is insurance on your life. You buy life insurance to make sure your dependents are financially secured in the event of your untimely demise. Life insurance is particularly important if you are the sole breadwinner for your family or if your family is heavily reliant on your income. Under life insurance, the policyholder's family is financially compensated in case the policyholder expires during the term of the policy. Life insurance premium of up to ₹1.5 lakh can be claimed as a tax-saving deduction under Section 80C

Health insurance- Health insurance is bought to cover medical costs for expensive treatments. Different types of health insurance policies cover an array of diseases and ailments. You can buy a generic health insurance policy as well as policies for specific diseases. The premium paid towards a health insurance policy usually covers treatment,

hospitalization and medication costs. Medical insurance premium of up to ₹25,000 for yourself and your family and ₹25,000 for your parents can be claimed as a tax-saving deduction under Section 80D.

Car insurance- In today's world, a car insurance is an important policy for every car owner. This insurance protects you against any untoward incident like accidents. Some policies also compensate for damages to your car during natural calamities like floods or earthquakes. It also covers third-party liability where you have to pay damages to other vehicle owners.

Education Insurance- The child education insurance is akin to a life insurance policy which has been specially designed as a saving tool. An education insurance can be a great way to provide a lump sum amount of money when your child reaches the age for higher education and gains entry into college (18 years and above). This fund can then be used to pay for your child's higher education expenses. Under this insurance, the child is the life assured or the recipient of the funds, while the parent/legal guardian is the owner of the policy. You can estimate the amount of money that will go into funding your children's higher education using Education Planning Calculator.

Home insurance- We all dreaming of owning our own homes. Home insurance can help with covering loss or damage caused to your home due to accidents like fire and other natural calamities or perils. Home insurance covers other instances like lightning, earthquakes etc.

It is difficult to specify in the case of services. Thus, customer perception is very important for it determines the extent of customer satisfaction from the service delivery. Service is not just delivery of policy document or processing customer requests. It is something beyond that it is the delivery of value, feeling, experience which a customer relishes and remembers. Each customer avails of services with some expectations of performance. They are satisfied if the standard is maintained, delighted when efficiency surpasses expectations and are dissatisfied when it is below the expectation level. Acute and persistent dissatisfaction will lead to complaints and grievances. Every service provider should try to prevent occurrence of such situations

and if grievance is felt by customer should strive to mitigate it as quickly as possible. The level of satisfaction in the insurance industry, globally, tends to be low.

INSURANCE POLICY COMPONENTS

When choosing a policy, it is important to understand how insurance works. A firm understanding of these concepts goes a long way in helping you choose the policy that best suits your needs. For instance, whole life insurance may or may not be the right type of life insurance for you. There are three components of any type of insurance (premium, policy limit, and deductible) that are crucial.

1. **Premium-** A policy's premium is its price, typically expressed as a monthly cost. The premium is determined by the insurer based on your or your business's risk profile, which may include creditworthiness. For example, if you own several expensive automobiles and have a history of reckless driving, you will likely pay more for an auto policy than someone with a single mid-range sedan and a perfect driving record. However, different insurers may charge different premiums for similar policies. So finding the price that is right for you requires some legwork.
2. **Policy Limit-** The policy limit is the maximum amount an insurer will pay under a policy for a covered loss. Maximums may be set per period (e.g., annual or policy term), per loss or injury, or over the life of the policy, also known as the lifetime maximum. Typically, higher limits carry higher premiums. For a general life insurance policy, the maximum amount the insurer will pay is referred to as the face value, which is the amount paid to a beneficiary upon the death of the insured.
3. **Deductible-** The deductible is a specific amount the policy-holder must pay out-of-pocket before the insurer pays a claim. Deductibles serve as deterrents to large volumes of small and insignificant claims. Deductibles can apply per-policy or per-claim depending on the insurer and the type of policy. Policies with very high deductibles are typically less expensive because the high out-of-pocket expense generally results in fewer small claims.
4. **Special Considerations-** With regard to health insurance, people who have chronic health issues or need regular medical attention should look for policies with lower deductibles. Though the annual premium is higher than a comparable policy with a higher deductible, less expensive access to medical care throughout the year may be worth the trade-off.
5. **Complaint -**A complaint is defined as: Any expression of dissatisfaction by a customer or potential customer about service delivery by the company or its agent, and/or about company or industry policy. The customers complaint handling procedure is designed to make sure your complaint is dealt with efficiently, fairly and effectively. It is now over a decade since the insurance industry has been opened up for private participation. It is witnessing a great deal of consumer dissatisfaction and resultant grievances. Consumer grievances present a case for intense introspection and problem solving. There should be systems to identify the areas that frequently indicate customer dissatisfaction; and there should be attempts at dealing with the problem –both in numbers and qualitatively so that a repeat of the earlier pitfalls is not experienced. The quality of business will be a major factor in overcoming this problem. The endeavour of the insurance industry should not only be limited to handling customer grievances but to reduce customer complaints. This can be achieved by constantly taking proactive measures which will not only address the concerns of the customers who have complained but will also address the unsaid complaints. Regulations establish standards and practicing them in the right spirit can build a fair and effective grievance mechanism in any company.
6. **Policy- holders grievance -**It normally falls under the following major categories mentioned below:
 - Transparency (e.g. Sharing of information like premium details, process of risk assessment along with impact of the assessed risk and minimum fine point)
 - Feedback on sales (e.g. mis-selling related to product benefits and services offered)
 - Feedback on services (e.g. services not provided as per defined TAT/SLA or quality of the service)

- Policy administration which is nothing but accuracy of the data captured and quality of the information shared
 - Benefits payout (e.g. payment of claims- 'moment of truth') (Agarwal , Oct., 2011)
7. Industry statistics – It show that the major sources of consumer grievances arise from:
- Settlement proceeds not received
 - Surveyors not reaching on time
 - Dispute with surveyor's assessment
 - Dispute on total settlement amount
 - Dispute on completion of case documents
 - General disputes on principles: why is the insurance company asking for so many details, paperwork etc.

In an under served and under-informed market like India where the insurance industry is growing so very rapidly, both in terms of variety of products as well as geographic spread, the customers need to be educated a lot more on the range of products and services which are available and suitable for them. The documentation required at every stage of the life cycle of a customer from policy issuance to claims settlements should be clear and simple. A strong compliant process for ensuring the right delivery mechanism is thus very essential. When we talk of compliance, it is all about how we create transparency for our partners and customers, about our products and services, be it policy issuance time or claims settlement criteria. It all starts with creating the right product, training sales people in explaining the product feature lucidly; and last but not the least, the exclusions as well as the claims process. Be it employees or intermediaries, they should clearly demonstrate clarity on what is covered and more essentially, what is not covered under the policy. The moment of truth in any insurance contract is the 'claim', and this process has to be explained to the customers. As has been said time and again, the role of the regulators and supervisors – especially in the domain of financial services is protection of customers interests. Considering the fact that the Indian insurance industry is still at a developing stage, there is an additional emphasis on the need for ensuring that the policyholders interests are given the highest priority.

8. Effective Grievance Management Systems- An effective grievance management system enhances customer satisfaction by creating a

customer focused environment that receives and attends to complaints and is open to feedback. Such a system helps the organization to improve its services. An effective system will recognize and address the needs and expectations of complainants by providing them with an open, effective and easy to use complaint procedure. Visibility of how and where to complain is a key component of an effective system. A grievance management system should be easily accessible to all complainants. There has been a social media revolution in the last few years. Consumers have taken to Facebook, twitter etc. in a large way to air their views about the products/services offered by companies. Social media has become a very popular tool with the consumer to share their grievances with their peer group. In line with the regulatory mandate, companies have started embracing social media to educate their customers and to hear their feedback. An online grievance redressal process increases the efficiency, transparency and accountability.

9. IRDA- Insurance Regulatory and Development Authority(IRDA) was established to ensure that insurance sector in India protects interest of policyholders in 1998. They have helped in improving the services offered by both public and private players in the industry. A grievance or a complaint is defined in the Grievance Redressal Guideline as ' any communication that expresses dissatisfaction about an action or lack of action, about the standard of service /deficiency of service of an insurance company and/ or any intermediary or asks for remedial action.' One of the major step taken by IRDA is to establish a system of Ombudsman.
10. Insurance Ombudsman -The institution of Insurance Ombudsman was created by a Government of India Notification dated 11 November, 1998, with the purpose of quick disposal of the grievances of the insured customers and to mitigate their problems involved in redressal of those grievances. This institution is of great importance and relevance for the protection of interests of policyholders and also in building their confidence in the system. The institution has helped to generate and sustain the faith and confidence amongst the consumers and insurers. IRDA has led down a procedure for grievance redressal and the details are made available on their website.

INSURNACE GRIEVANCE REDRESSAL MAECHANISHM

IGMS IRDA has launched the Integrated Grievance Management System (IGMS). Apart from creating a central repository of industry-wide insurance grievance data, IGMS is a grievance redress monitoring tool for IRDA. Policyholders who have grievances should register their complaints with the Grievance Redress Channel of the Insurance Company first. If policyholders are not able to access the insurance company directly for any reason, IGMS provides a gateway to register complaints with insurance companies.

Complaints shall be registered with insurance companies first and only if need be, be escalated them to IRDA (Consumer Affairs Department). IGMS is a comprehensive solution which not only has the ability to provide a centralized and online access to the policyholder but complete access and control to IRDA for monitoring market conduct issues of which policyholder grievances are the main indicators. IGMS has the ability to classify different complaint types based on pre-defined rules. The system has the ability to assign, store and track unique complaint IDs. It also sends intimations to various stakeholders as required, within the workflow. The system has defined target Turnaround Times (TATs) and measures the actual TATs on all complaints. IGMS sets up alerts for pending tasks nearing the laid down Turnaround Time. The system automatically triggers activities at the appropriate time through rule-based workflows.

A complaint registered through IGMS will flow to the insurer's system as well as the IRDA repository. Updating of status will be mirrored in the IRDA system. IGMS enables generation of reports on all criteria like ageing, status, nature of complaint and any other parameter that is defined. Thus, IGMS provides a standard platform to all insurers to resolve policyholder grievances and provides IRDA with a tool to monitor the effectiveness of the grievance redress system of insurers.

Grievance redressal is based on the following principles

- A. Customers are treated fairly at all time.
- B. Complaints raised by customers are dealt with an open mind, with courtesy

- C. Customers are informed through policy document of avenues of escalation process of their complaints and grievances within the organization
- D. To treat all complaints efficiently and fairly as they can damage the company's reputation and business if not handled properly.

IRDAI has through various regulations mandated the following requirements to be complied with by all insurers

1. Ensure a board approved grievance redressal policy document is in place
2. All complaints must be logged in through IGMS (Integrated Grievance Management System portal) of the authority
3. Every insurer must have grievance redressal officer (GRO) whose contact details are provided in all the communication with the policy holder
4. Insurer must abide by the grievance redressal guidelines advised by IRDAI
5. Regular reporting of all category of complaints & reconciliation of pending complaints is order of the day
6. The category of complaints number, intermediary involved, action taken, RCA (root cause analysis) to be placed before the committee of policy holder protection of interest at every meeting for discussion & directions

Policy holder can lodge a complaint in any of the manner as listed below

If one are unhappy with the insurance company procedures or claim settlement, one can

- Approach the Grievance Redressal Officer of its branch or any other office that one deals with. All formal mail IDs of Grievance Redressal Officers, GRO, of all insurance companies is made available in IRDAI portal: policyholder.gov.in
- Complaint in writing along with the necessary support documents to be provided
- Written acknowledgement of complaint date to be obtained.
- The insurance company should deal with all complaint within 15 days.

- If that does not happen or if policyholder is unhappy with the solution he can: Approach the Grievance Redressal Cell of the Consumer Affairs Department of IRDA:
- A. Call Toll Free Number 155255 (or) 1800 4254 732 or
 - B. Send an e-mail to complaints@irda.gov.in
 - C. Make use of the Integrated Grievance Management System: Register and monitor your complaint at igms.irda.gov.in
 - D. Send a letter to IRDAI with his complaint to official Address.

IRDAI guidelines on grievance redressal

Every insurer shall have a system and procedure for receiving, registering and disposing of grievances in each of its offices. This and all other relevant details along with details of Turnaround Times (TATs) shall be clearly laid down in the policy. While insurers may lay down their own TATs, they shall ensure that the following minimum time frames are adopted:

- (a). An insurer shall send a written acknowledgement to a complainant within 3 working days of the receipt of the grievance.
- (b). The acknowledgement shall contain the name and designation of the officer who will deal with the grievance.
- (c). It shall also contain the details of the insurer's grievance redressal procedure and the time taken for resolution of disputes.
- (d). Where the insurer resolves the complaint within 3 days, it may communicate the resolution along with the acknowledgement.
- (e). Where the grievance is not resolved within 3 working days, an insurer shall resolve the grievance within 2 weeks of its receipt and send a final letter of resolution.
- (g). Where, within 2 weeks, the company sends the complainant a written response which offers redress or rejects the complaint and gives reasons for doing so,

(i). the insurer shall inform the complainant about how he/she may pursue the complaint, if dissatisfied.

(ii). the insurer shall inform that it will regard the complaint as closed if it does not receive a reply within 8 weeks from the date of receipt of response by the insured/policyholder. Any failure on the part of insurers to follow the abovementioned procedures and time-frames would attract penalties by the Insurance Regulatory and Development Authority.

Insurance Ombudsmen

With an objective to provide a forum for resolving disputes and complaints from the aggrieved insured public or their legal heirs against Insurance Companies, the Government of India, in exercise of powers conferred on it u/s 114(1) of Insurance Act, 1938 framed "Redressal of Public Grievances Rules, 1998", which came into force w.e.f. 11th November, 1998. These Rules aim at resolving complaints relating to the settlement of disputes with Insurance Companies on personal lines of insurance, in a cost effective, efficient and impartial manner. These Rules apply to all the Insurance Companies operating in General Insurance business and Life Insurance business, in Public and Private Sectors.

To implement the above Rules, the Institution of Insurance Ombudsman has been established and is functioning since 1999. The Ombudsman functions within a set geographical jurisdiction and can entertain disputes relating to partial/total repudiation of claims, delay in settlement of claims, any dispute on the legal construction of the policies in so far as such disputes relate to claims, disputes regarding premium paid or payable in terms of the policy and non-issuance of insurance documents.

The Insurance Ombudsman is provided with a Secretarial Staff by the Governing Body of Insurance Council and such staff is drawn from Insurance Companies. The total expenses on running the Institution are shared by all Insurance Companies, who are Members of the Insurance Council.

The Insurance Ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of

the courts system in a cost-effective, efficient and impartial way.

There are Insurance Ombudsman in different locations and any person who has a grievance against an insurer, may himself or through his legal heirs, nominee or assignee, make a complaint in writing to the Insurance ombudsman within whose territorial jurisdiction the branch or office of the insurer complained against or the residential address or place of residence of the complainant is located.

Complaint is to be lodged with the Insurance Ombudsman under whose territorial jurisdiction the insurer's office falls, at the address provided in website / insurer communication which includes policy document.

Policyholders can approach the Ombudsman with complaint if:

He has first approached your insurance company with the complaint and

- they have rejected it
- not resolved it to your satisfaction or not responded to it at all for 30 days
- complaint pertains to any policy you have taken in your capacity as an individual and
- the value of the claim including expenses claimed is not above Rs 20 lakhs.

Complaint to the Ombudsman can be about:

a) Delay in settlement of claims, beyond the time specified in the regulations, framed under the IRDAI Act, 1999.

b) Any partial or total repudiation of claims by the Life insurer, General insurer or the Health insurer.

c) Any dispute about premium paid or payable in terms of insurance policy

d) Misrepresentation of policy terms and conditions at any time in the policy document or policy contract.

e) Legal construction of insurance policies in so far as the dispute relates to claim.

f) Policy servicing related grievances against insurers and their agents and intermediaries.

g) Issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer.

h) Non issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance and

i) Any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f)

The Ombudsman will act as mediator and

- Arrive at a fair recommendation based on the facts of the dispute
- If you accept this as a full and final settlement, the Ombudsman will
- Inform the company which should comply with the terms in 15 days

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.

There is no appellate authority governing Ombudsman order. The order is final & binding.

CONCLUSION

Be it life insurance, health insurance or general insurance, you can buy an insurance policy offline

as well as online. Just like there are insurance agents who will help you buy a policy, there are websites as well that you can buy a policy from. Ensure that you have done your research before choosing and investing in an insurance policy.

The grievance redressal systems for insurance have been set up by IRDA. They are quite good. But policyholders are not taking advantage of this facility. There is still vast scope for improvement especially where private players are concerned. Educating policyholders is essential. Prevention is better than cure, and so insurers should ensure that the need for grievance redressal is minimized. Fair business practices is what the policyholder expects from insurer. The area that needs attention on priority are regarding, receiving feedback from customers, frequency of communication with customers, reimbursement of faulty service as well as review of services and provision for grievance settlement. Long term survival and growth will depend on how the root causes are dealt with before the issues flare-up. Let there be a happy ending to the story where everybody is a winner.

Throughout the term of policy say 10, 15 or 20 or even more years, the insured keeps up her side of the bargain through payment of premiums. It is at this point that speed, sensitivity and accuracy is required on the part of insurers towards grievances in the fastest time possible. The insurance company has to be extremely knowledgeable and the same time capable of resolving the grievances of the policyholders in completion of formalities with an effective and efficient grievance management team in place, the insurer can create a win-in situation for all covered.