Chapter VI

LIFE INSURANCE
SECTOR AND
CONSUMER PROTECTION
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LIFE INSURANCE SECTOR AND CONSUMER PROTECTION

In the present scenario, the insurance sector in India has come a full circle, from being as open competitive market to complete nationalization and then back to a liberalised market. The coming of private companies in the Indian insurance market has changed the nature of competition and the vigorous campaigns of these companies. This has led to rapid increase in insurance business and a sizeable gain of this has also been reaped by life insurance Corporation of India (LIC)

Life insurance in its modern form came to us from Europe, the USA and England where modern forms of life insurance appeared in the 16th century and the first life policy providing temporary cover for a period of Twelve months was issued as early as 1583 AD. As mortality tables had not yet been developed, Writing of life business tended to be a gamble. It was therefore only from the 18th century onwards that attempts were made to treat insurance scientifically.

Initially, being in the hands of private enterprise, the Indian insurance industry became the monopoly of the government over the last 44 years. The sector consisted of the Life Insurance 'corporation of India (LIC) and the General Insurance corporation of India (GIC) along with its four subsidiaries i.e. National Insurance Company, New India Assurance Company, United India Insurance Company and Oriental Insurance Company. These Public sector corporations operated through a network of branches throughout the length and breadth of the country.

Under the impact of globalization the organization and structure of this
sector underwent a sea change. From State monopoly the insurance business was opened to private enterprise. The structure of this sector thus, changed and transformed into a joint sector where both the government undertakings and private entities are conducting insurance business. In the government segment of insurance sector, the existing corporations, viz. LIC and GIC with four subsidiaries continue to operate.

In the private segment of the Indian insurance there are about 24 private insurance companies. These are world renowned players in Insurance business. The multinational insurers are indeed keenly interested in emerging Insurance business in India because their home markets are saturated. The foreign companies are also attracted by the fact that, unlike many underdeveloped countries, the Indian private sector is well developed and has the capacity to face any challenges posed by competition internally or externally.

**6.1 LIFE INSURANCE MARKET IN INDIA AND NEED FOR CONSUMER PROTECTION.**

The life insurance market in India was underdeveloped and was tapped only by the states owned LIC till the entry of private insurance. Indian customers, who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer. The private players have taken some market share from LIC, and major growth has happened because of market expansions. India has highest number of life insurance policies in force in the world, and total investible funds with LIC is almost eight percent of GDP. However more than three fourths of India's insurable
population has no life insurance, pension cover or post retirement protection cover. This shows this sector has great potential for growth as there is still a huge untapped market. It is submitted that a well developed and consumer friendly insurance sector is needed for economic development of the country as it provides long term funds for infrastructure development and at the same time strengthens the risk of taking ability.

The biggest challenge for the industry today is the low levels of penetration and lack of consumer satisfaction. This challenge becomes bigger due to the presence of host of other investment opportunities available to the consumer today and due to the spending habits of the younger generation which believes in consumption today rather than investing for tomorrow. To over come this more marketing is required for insurance products. There is still a huge unexplored potential of growth for the pension products. However, there has been a major growth in the unit linked policies offered by the insurance sector which might be seen as positive trend but what it reflects is that insurance is being looked upon as investment instrument which underlines the true objective of insurance which is risk protection. Insurance has a role to play, and that is as a tool to hedge against risk, and it is crucial that this role be maintained even in the light of the changing scenario.

It is submitted that insurance sector in India has come a long way from being a nationalized to a liberalized market. And for its growth there is a dire need to examine the key issues, trends and challenges so that India can match international standards both in terms of market size and consumer satisfaction.
6.2 INSURANCE COVER- AN UMBRELLA FOR SEEN/UNSEEN EVENTUALITIES

Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums. There may be designs in some countries where bills and death expenses plus catering for after funeral expenses should be included in Policy Premium.

Insurance, in law and Economic is a form of risk management primarily used to contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from exchange for a Premium, and can be thought of as a guaranteed and known small loss to devastating loss. An insurer is a company selling the insurance to an insured or buying the insurance. The insurance rate is a factor used to determine the amount to amount of insurance coverage, called premium. Risk management, the practice of risk has evolved as a discrete field of study and practice.4

Insurance sector in India and the world is expanding in terms of business, products and staff day by day and new products are being launched by the existing/emerging companies in the market keeping in view the demand from the pubic and some existing schemes are modified to cater to the changing needs of the existing clientele.
Therefore the question before us is that the craze for insurance cover has become a must (necessity) or is just (optimal). There are two types of people in the market, one are those who want that come what may, they would have satisfactory insurance cover for their life, spouse, or any other thing like house, vehicle etc. Whereas the other type feels that they are not much interested to have the insurance cover. The choice differs and views differ from man to man. Some people feel baffled over the ever increasing number of insurance companies flooding the market with catalogue/hollow slogans.5

6.3 PARTIES TO CONTRACT

There is a difference between the insured and the policy owner (policy holder), although the owner and the insured are often the same person. For example, if Joe buys a policy on his own life, he is both the owner and the insured. But if Jane, his wife, buys a policy on Joe's life, she is the owner and he is the insured. The policy owner is the guarantee and he or she will be the person who will pay for the policy. The insured is a participant in the contract, but not necessarily a party to it.

Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums. There may be designs in some countries where bills and death expenses plus catering for after funeral expenses should be included in Policy Premium. In the United States, the predominant form simply specifies a lump sum to be paid on the insured's demise.
As with most insurance policies, life insurance is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event occurs which is covered by the policy.\textsuperscript{6}

\textbf{6.4 CONTRACT TERMS}

Special provisions may apply, such as suicide clauses wherein the policy becomes null if the insured commits suicide within a specified time (usually two years after the purchase date; some states provide a statutory one-year suicide clause). Any misrepresentations by the insured on the application are also grounds for nullification. Most US states specify that the contestability period cannot be longer than two years; only if the insured dies within this period will the insurer have a legal right to contest the claim on the basis of misrepresentation and request additional information before deciding to pay or deny the claim.

The contract of insurance is of utmost good faith. The proposer for life insurance is under an obligation to disclose all material facts within his knowledge relating to the state of his health at the time of making the proposal form and the personal statements therein are the basis of the contract between the parties.\textsuperscript{7}

Where a policy is taken by the insured by suppressing the material facts that he was suffering from cancer and that he was taking treatment therefore, it is liable to be vitiated and no claim is admissible under such a policy.\textsuperscript{8} The Supreme Court in \textit{Mitholal Nayak v. Life Insurance Corporation of India}, \textsuperscript{9} upheld the principle that when the contract is bad on the ground of fraud, the party who has been guilty of fraud cannot ask for the refund of the money paid under the contract. Thus, the complainant is not entitled of the refund of the premium paid under the policy.
taken by fraud.

The burden to prove that the insured had given wrong answers, that is to say, there was positive presence of existence of any ailment, sickness or injury which may require medical attendance in immediate future, is on the insurer.  

Similarly, the fact whether he had taken any medical treatment or undergone surgical operation within the period of preceding twelve months, is also on the opposite party as held by the Supreme Court in the case of Life Insurance Corporation of India v. Smt. G.M. Channabasamma.  

The insurance policy between the insurer and the insured represents a contract between the parties. Since the insurer undertakes to compensate the loss suffered by the insured on account of risks covered by the insurance policy, the terms of the agreement have to be strictly construed to determine the extent of liability of the insurer.  

The insured cannot claim anything more than what is covered by the insurance policy. If the contract is vague, the benefit should be given to the insured. In a contract of insurance, there is a requirement of uberrima fides, i.e., good faith on the part of the assured and the contract is likely to be construed contra proferentem, i.e., against the company in case of ambiguity or doubt. Thus, it is the high time for the insurance companies to have terms clearly defined in the insurance policy with a reasonable clarity and not to continue with the old forms which at times are vague.  

When the Life Insurance Corporation has failed to make payment to the nominee, it has committed default in the performance of the undertaking in pursuance of the contract of insurance and thus there is deficiency in relation to
service. When there is a delay in making the payment of claim under the insurance policy, it amounts to deficiency in service.\textsuperscript{17} Similarly, non-settlement of claim under insurance policy within a reasonable period is a deficiency in service.\textsuperscript{18}

Further, compensation may be awarded for mental agony for delay in settlement of claim since the complainant is put to avoidable strain and tension.\textsuperscript{19}

Notwithstanding the general ability of contracting parties to agree to exclusion clauses which operate to define obligations there exists a rule, usually referred to as the 'main purpose rule', which may limit the application of wide exclusion clauses defining a promiser’s contractual obligations. For example, in \textit{Glymn v. Margetson and Co.},\textsuperscript{20} Lord Halsbury L’C. stated that\textsuperscript{21} ‘It seems to me that in construing this document, which is a contract of carriage between the parties, one must in the first instance look at the whole instrument and not at one part of it only. Looking at the whole instrument, and seeing what one must regard as its main purpose, one must reject words, indeed whole provisions, if they are inconsistent with what one assumes to be the main purpose of the contract.’

In view of the above, the Supreme Court in \textit{B.V Nagaraju’s case}\textsuperscript{22} held that the National Commission went for strict construction of the exclusion clause. The reason that the extra passengers being carried in the goods' vehicle could not have contributed, in any manner, to the occurring of the accident, was barely noticed and rejected \textit{sans} any plausible account; even when the claim confining the damage to the vehicle only was limited in nature. The Court observed,\textsuperscript{23}

‘\textit{We thus, are of the view that in accord with Skandia's case, the aforesaid exclusion term of the insurance policy must be read down so as to serve the main}'}
purpose of the policy that is indemnify the damage caused to the vehicle, which we hereby do”.

'Insurance' serves the social purpose; it is a social device whereby uncertain risks of individuals may be combined in a group and thus made more certain; small periodic contribution by the individuals providing a fund out of which those who suffer losses may be reimbursed.24 The silent promise, and virtually the explicit condition of the insurance contract is that the insured's claim must be settled with utmost expedition.25

The face amount on the policy is the initial amount that the policy will pay at the death of the insured or when the policy matures, although the actual death benefit can provide for greater or lesser than the face amount. The policy matures when the insured dies or reaches a specified age (such as 100 years old).26

6.5 NECESSITY FOR LIFE INSURANCE

When it comes to buying life insurance, the choices that face you can be overwhelming. Firstly, it is natural to contemplate whether or not you really require life insurance. But as you get older, the need for life insurance becomes increasingly important, particularly if you have a family who is partly or wholly dependent on you. Many people may delay the decision to buy life insurance; but, no matter when you choose to invest in life insurance cover, it is important to be aware of the options that face you.

First of all, there are two types of life insurance: the first is "protection-only" life insurance, which is also called "term insurance." This type of life insurance pays out if you die within a specified amount of time; however, if you die once this period has passed, your family will receive nothing. This is usually
the cheapest type of life insurance, and is most commonly bought in the event of sudden illness. The second type of life insurance is "investment-type life insurance"; this includes "endowment policies" and "whole of life policies." This type of life insurance, as well as paying out in the event of your death, generally builds up in investment value which you can cash in on before you die; hence, the earlier you buy life insurance, the greater the value which will accumulate during your lifetime. Many personal pension schemes, including stakeholder schemes, also count as investment-type life insurance.

When choosing life insurance, make sure your provider is authorised by the Financial Services Authority (FSA); the FSA provides the stamp of approval which tells you that the insurance provider is solvent and operated sensibly. Furthermore, financial advisers handing out advice about investment-type life insurance or personal pensions should also be authorised by the FSA; you can check this by consulting the FSA Firm Check Service. Financial advisers must either be tied - for example, selling products of a single provider - or independent, meaning they can select life insurance for you from the full range of products in the market.  

Life insurance and trusts are two financial arrangements that provide security to the family and living relatives of the owner of a property or trust. One should be made aware to look at insurance and trusts and how these can be used for better financial security and risk management. "Financial risk management is an important concept in the field of management. A person with an established business, occupation or source of income can suddenly take ill, resulting in the loss
of that income which depended on him to generate. This can be a serious loss for him and others who depend on the income. There are two financial instruments which are available which can continue to provide to him or his dependents financial compensation or income based on his previous investments. For monetary investments which had been paid on regular intervals, there is the instrument of life insurance.  

6.6 SPECIAL REFERENCE TO INSURANCE PROVIDERS

Today numerous public & private agencies are providing life & General Insurance Services and large number of clientele and there has been mushroom growth in their number and size in India. There is a transition from “sellers market” to a “buyers market”. Sellers are stronger than buyers. Buyer is being misled, duped and deceived day in and day out. We find from the news appearing in the newspapers, through Radio & TV that there is lot of defiance in one form or the other in their product. Product/Service defect means any fault, imperfection or shortcoming in quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force or as is clarified by the provider in any manner whatsoever in relation to any product.

**Life Cycle of insurance**

<table>
<thead>
<tr>
<th>Insured (Individual Level)</th>
<th>Risk Identification</th>
<th>Risk Assessment</th>
<th>Risk Treatment</th>
<th>Insurance</th>
<th>Risk Event</th>
<th>Claim</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer (Macro Level)</td>
<td>Risk Identification</td>
<td>Risk Assessment</td>
<td>Product Development &amp; Training</td>
<td>Policy</td>
<td>Servicing</td>
<td>Survey</td>
<td>Settlement</td>
</tr>
</tbody>
</table>
6.7 ABOUT LIFE CYCLE OF INSURANCE

The life cycle of insurance can be viewed and analyzed from two perspectives. One – that of the consumer (insured), and the other – that of the insurer. The insured is looking at risks and impact for appropriate treatment to mitigate and control losses and to obtain maximum recoupment. On the other hand, the insurer is looking at risks to develop products and address the needs of the insured and earn a fair return by way of premiums that will give him profits / surplus over and above the claims settlement. The approach of the insured is from an individual perspective, and that of the insurer from a macro perspective.

Both are looking at risks and outcomes – one from the loss perspective and the other from the claims perspective. The relationship is mutual, symbiotic and interdependent. However, it also therefore envisages a better understanding of the risks, their likelihood and impact and the needs and pain points of consumers.30

Looking at the above noted facts the researcher submits as under;

1) It has been observed that Insurance Companies do not tell the demerits of the policies while selling their Insurance products/Schemes. Therefore law is to be made to make it mandatory on the part of insurer to disclose the demerits of the policy.

2) Polices are sold under wrong or misrepresentation of facts. So, public awareness is required in this respect.

3) The agents also do not provide customized service once their policy is sold rather they adopt callous attitude towards the policy holders and they become totally indifferent. So, Agents, be appointed by the companies, who are persons of ability, integrity and standing.
4) Companies hid many hidden charges and impose them immediately the policy is sold. Law be made that all charges be disclosed at the time of sale of policy.

5) In case of prepayment cases, companies impose penalty about which they never tell to a customer. They display false picture before the customer to woo him by making the picture very rosy. This practice be stopped by making suitable amendment in the legal rules.

6) Many agents have been found to be charging excess from illiterate or less informed people. Government must take suitable steps to save the policy holder.

7) When the policy matures, companies put temporary or fictitious obstacles to delay the payment. Many times notices for periodical premiums are not sent by them with the intention that let the policy lapse & then they would be helpless to entertain the claim and the amount in the account is encroached upon by them & is not paid to the policy holder. Hence, law be passed to make it mandatory on the part of the insurer to ensure that notices for premium reaches to the policy holder in time.

8) Lot many cases have been filed in consumer courts and many decisions has gone against the insurance companies. There is quite an ample scope for the consumers to make use of consumer forums to stop their exploitation by these insurance companies. So more campaigns like ‘Jago Grahak Jago’ should be launched through electronic media and print media to bring awareness among the people.
9) Government should make laws fixing time schedules for payment of the policy amount in the event of death / disability and even in general cases of maturity of the policy.

6.8 LEGAL FRAMEWORK AND INSURANCE SECTOR POST-LIBERALIZATION

The opening up of the insurance sector, in the wake of economic liberalisation policy, necessitated changes to be brought about in the legal frameworks related to the conduct of insurance sector. The operation of the insurance business due to entry of private players required to be regulated and the interests of the buyers of insurance products demanded safeguards and protection. The legal framework relating to this sector underwent a drastic change. The first step in this direction was the establishment of the Insurance Regulatory Development Authority (IRDA).

6.8 (a) INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

Reforms in the insurance sector were initiated with the passage of the IRDA Act, 1999. This act extends to the whole of India\(^3\). This act came into force on 19th April, 2000\(^2\). The object of this act is to provide for the establishment of an authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental there to and further to amend the Insurance Act, 1938, the life Insurance Corporation Act, 1956 and the general insurance business (nationalization) Act, 1972.
The IRDA is a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of movable and immovable property and to contract. It can sue and be sued\textsuperscript{33}. It consists of a chairperson, five whole time members and four part time members appointed by the Central Government from amongst persons of ability, integrity and standing and who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which would be useful to the authority\textsuperscript{34}. The chairperson and whole time members are to hold office for five years. The chairperson can not hold office after he attains the age of sixty five years and the whole time member can not hold office after he attains the age of sixty years. A part time member shall hold office for five years. Any member can relinquish his office by giving in writing notice of not less than three months\textsuperscript{35}.

**OBJECTIVES OF IRDA:**

(a) To protect the interest of and secure fair treatment to policy holder.

(b) To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefits of the common man, and to provide long term funds for accelerating growth of the economy.

(c) To set, promote, monitor and enforce high standard of integrity, financial soundness, fair dealing and competition of those it regulates.
(d) To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard.

(e) To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.

(f) To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system (MIS) to enforce high standards of financial soundness amongst market players.

(g) To take action where such standards are inadequate or ineffectively enforced.

(h) To bring about optimum amount of self regulation in day to day working of the industry consistent with the requirements of prudential regulation.\textsuperscript{36}

**FUNCTIONS OF IRDA:**

The IRDA has been established to perform the following regulatory functions\textsuperscript{37}:

(a) Issue and withdraw licenses.

(b) Specify qualification, codes of conduct and training for intermediaries and agents.

(c) Specify the form manner in which books of accounts shall be maintained.

(d) Regulate investment of insurance funds.
(e) Specify the percentage of life insurance business to be undertaken by the insurer in both rural and social sectors.

(f) Approve the appointment of the managing directors.

It is essential to mention here that in November 1998, the central cabinet approved the bill which envisaged a ceiling of 40 percent for non residents Indian Stake Holders, 26 percent for foreign collaborators and 14 percent for Non Resident Indians (NRI's), overseas corporate bodies (OCB's) and Foreign Institutional Investors (FII's).\(^{38}\)

**6.8 (b) REVIEW OF INSURANCE ACT, 1938**

The Insurance Act, 1938 fell short of provisions to cope with the openness of the insurance industry. This highlighted the need for comprehensive review of the regulatory and supervisory environment under which private and public insurers shall conduct the business. The law commission, therefore, at the request of Insurance Regulatory and Development Authority initiated the exercise of review of Insurance Act, 1938 and other related legislations to harmonise the insurance laws in tune with the liberalized economic environment prevailing in the economy in general and particularly in the context of the insurance industry.

**6.8 (c) ACTUARY SYSTEM IMPLEMENTATION**

The IRDA introduced the system of Appointed Actuary (AA) both for life insurance business and general insurance business in India. No insurers can transact life insurance business in India without an authorised personal appointed as actuary, perceiving a crucial role for the appointed actuary. The authority, while defining the privileges and the obligations of the AA laid down eligibility criteria.
in the regulations. The regulations require that each life insurer shall have an AA as a full time employee. However, a relaxation has been made in case of Non-life Insurance Companies. Every life insurer is required to submit the statement of solvency, along with its actuary report and extract, as on 31st March of each financial year, duly certified by the AA. In case of non-life insurer, the AA is required to certify the rates for in house non-tariff products and incurred but not reported (IBNR) results.

6.8 (d) CONSUMER PROTECTION REDRESSAL SYSTEM

With the opening up of the insurance industry and the entry of new players, awareness about their rights has steadily been increasing amongst the public at large. Insurers are also required to set up grievance cells and their performance is monitored by them on a regular basis. Insurers have also opened "May I Help You" and information facilitation counters. In addition such counters as Rahat Yojana and Nidhi Melas are conducted to dispose of claims speedily. The public sector companies have also not remained for behind and are fast gearing up to these changes.

It is submitted that speedy mechanism for redressal of the grievances of the policy holders has been provided under the Consumer Protection Act, 1986. This act provides three tier redressal systems. These are as such;

(i) At the District level, the redressal agency is known as Consumer Disputes Redressal Forum;

(ii) At the State level, the redressal agency is known as Consumer Disputes Redressal Commission.
At the National level, the redressal agency is known as National Consumer Disputes Redressal Commission. The above noted redressal agencies have jurisdiction to entertain the complaints against insurers of life policies upto 20 lakhs, above 20 lakh and upto one crore, and above one crore respectively.

6.9 EMERGING NEED FOR PROTECTION UNDER CONSUMER PROTECTION ACT TO THE INSURANCE CUSTOMERS

Guided by Gandhiji’s vision of “consumer is king” many businessmen including the late J.R.D. Tata and the late Jamnalal Bajaj helped develop on ethical code for business practice, to build bridges between consumers and business. Problems of under-weight content, inferior quality specified by quality control agencies make consumers get less than the value for their money and suffer losses and inconvenience. In order to safeguard consumer interest, six consumer rights were initially envisioned by consumer rights activists of the west namely: right to safety, right to information, right to choice, right to be heard, right to redress, right to consumer education. “If there is crime, there must be punishment and if there is will there is a way”. There have been many consumer friendly legislations such as drugs & Cosmetics (amendment) Act, 1986, Essential commodities (amendment) act 1986, Essential Services maintenance act, The standard of weights and measures act 1976, Monopolist and Restrictive trade practices act, 1986, The Environment Protection Act 1986, The prevention of food adulteration (amendment) Act, 1986 etc. But still some gap was felt between what the consumer got and what he expected or deserved. Being a consumer is tough but we
can’t help being one, Consumers help the economy grow: growing economy offers new products and services from unheard of places, all claiming to be the best. As markets are globalizing, consumers are bombarded with too many choices of products and services. As a consumer we need to separate the chaff from the grains. There is a risk of being cheated, when we spend our hard earned money to get such quality products or services. Thus a balance has to be made between free market forces and consumer protection. Any consumer movement can be successful if the consumers are satisfied & they receive value for the money they spent on products & services. This in turn requires a synergy and support of the Government, Judiciary, Traders and Consumers. As a matter of fact, access to justice so far, has been a luxury for most of the Indian Citizens. However with the enactment of consumer protection Act 1986, the era of socio-economic justice appears to have finally dawned in India. India has gone a long way by implementing the benevolent Consumer Protection Act, 1986 and further making some amendments therein in order to provide better protection of consumer. The near successful implementation of act has considerably consolidated the process of consumer protection in India and has given rise to new consumer jurisprudence. The unique three tiers, quasi-judicial machinery and speedy consumer disputes redressal mechanism established under this Act have significantly increased the prospects of dispensing consumer justice to a majority of people in the country. The noticeable increase in self regulation, both by the public and private corporate sector, a considerable spurt in consumer – oriented litigation and the emergence of environmental mitigation before the consumer forums are among the prominent
developments which seem to have been propelled by the implantation of the act. An aware consumer, who exercises his/her rights, keeps a check on the unscrupulous traders who sell fake and substandard products or on the advertisers who engage in unfair trade practices. Thus, self help through empowered consumers and better corporate governance are the need of the hour for a better society. Services providers are virtually doing disservice to the people. It is felt that the service providers have done lot of harm to the consumer.

6.10 CONSUMER PROTECTION ACT 1986 AND RIGHTS OF THE CONSUMER AS ON TODAY

Today common consumer is not well informed, well knowledgeable, well educated and fully aware of his rights. Consumer today wants value for money, a product or service that would meet reasonable expectations, should be safe in use and full disclosure of the product specification. The expectations are termed as "Consumer rights". 15th march is observed as world consumer day in different parts of the world. When, on 15th march 1962, consumer's rights bill was moved in the US congress, the then President John F.Kennedy had remarked, “If a consumer is offered inferior products, if prices are exorbitant, if drugs are unsafe or worthless if the consumer is unable to choose on an informed basis, then his dollar is wasted, his health and safety may be threatened and national interest suffers”. The consumer’s international for 240 organizations in over 100 countries expanded the charter of consumer’s rights to include:-

i) Basic needs ii) safety iii) Information iv) Choice
v) Representation vi) Redressal vii) Consumer Education
viii) Healthy environment

On this basis, UNO in April 1985 adopted its guidelines for consumer protection. This led to passage of Consumer Protection Act, 1986 in India.

**MEANING OF CONSUMER AS PER ACT**

Under section 2(1) (d) of the Act, a consumer means any person who:

i) Buys any goods for a consideration which has been paid or promised/partly paid and partly promised or under any system of deferred payment and include any user of such goods.

ii) Hires or avails of any services for a consideration which has been paid or premised or partly paid and partly promised and includes beneficiary of services.

**COVERAGE OF THE ACT**

Consumer protection Act Covers all services/products/suppliers in the public/or private sector including banks, education, life and general insurance, health services , retailers with regard to any product/service given to the consumer for consideration.

**MEANING OF COMPLAINT UNDER SECTION 2 (1) (C) OF THE ACT**

If the allegation in writing is made about;

i) An unfair/restrictive trade practice adopted by any trader.

ii) The goods bought by him or agreed to be bought suffer from any defect.

iii) There is any deficiency in the service hired/product supplied.
iv) If the trader has charged any excess price as per existing rate or that written on the packet/package.

v) When goods hazardous to life rarely are being offered for sale to the public in contravention of the provisions of any law.  

It is submitted that life insurance policy holder is ‘consumer’ under the Consumer Protection Act, 1986 and is entitled to seek redressal in consumer courts established under the Consumer Protection Act. It is usually observed that Insurance Companies do not tell the demerits of the policies while selling their Insurance products/Schemes. Those polices are sold under wrong or misrepresentation of facts. The agents also do not provide customized service once their policy is sold rather they adopt callous attitude towards the policy holders and they become totally indifferent. They put many hidden charges and impose them immediately the policy is sold. In case of prepayment cases, they impose penalty about which they never tell to a customer. They display false picture before the customer to woo him by making the picture very rosy. Many agents have been found to be charging excess from illiterate or less informed people. When the policy matures, they put temporary or fictitious obstacles to delay the payment. Many times notices for periodical premiums are not sent by them with the intention that let the policy lapse & then they would be helpless to entertain the claim and the amount in the account is encroached upon by them & is not paid to the policy holder. Lot many cases have been filed in consumer courts and many decisions have gone against the insurance companies. There is quite an ample scope for the consumers to make use of consumer forums to stop their exploitation.
by these insurance companies. In case of Baldev Singh Malhi V/s New India assurance co. Ltd & another, National Consumer Disputes Redressal commission, New Delhi vide its order dated 25/10/2002 has given historical decision in favor of the petitioner. The plea of the insurance company was that the beneficiary had attempted suicide by taking poisonous substance as a result of which all the benefits under the policy were not available to the nominees- District Forum dismissed the complaint holding that the death was not accidental but a suicidal case. State commission decided otherwise and directed the insurance company to pay to the complainant the benefit with 12% interest.

As per news appearing in “The Tribune” dated 11/8/09, The District Consumer Redressal forum, Chandigarh has directed Reliance General insurance company and pay Rs. 2.8 lacs as insurance claim towards theft of a car which was earlier denied by company on frivolous ground. Complaint was made to the forum by Sh. N.C. Thakur, a resident of Mohali.

**REDRESSAL GRIEVANCE MACHINERY**

If any of the customers of an insurance company suffers any loss or injury due to deficiency of service/defective product or any unfair/restrictive trade practice adopted or the company has not paid due compensation or grievance has not been redressed to the satisfaction of the consumer, he is free to approach the appropriate forum for redressal of his complaint as under:-

**AUTHORITIES UNDER THE ACT**

i) If the complaint is less than Rs. 20 Lakh - District Consumers Forum.
ii) If the complaint is more than Rs. 20 Lakh & upto Rs One crore – Consumer Disputes Redressal Commission of the concerned State.

iii) If the complaint is more than Rs. One crore – National Consumer Disputes Redressal Commission New Delhi\textsuperscript{51}.

**HOW TO FILE A COMPLAINT**

i) A complaint can be filed on a plain paper. It should contain the details of the complaint and the opposite party.

ii) The facts relating to complaint and when & where it arose.

iii) Documents in support of allegation in the complaint.

iv) The relief which the complainant is seeking.

v) The complaint should be signed by the complainant or his authorized agent.

vi) It is not necessary to engage a counsel.

**PROCEDURE FOR APPEAL**

i) Appeal against the order of District Consumer forum can be made before State Commission.

ii) Appeal against the order of State Commission can be made before the National Commission.

iii) Appeal against the order of National Commission can be made in Supreme Court of India (All appeals to be made within 30 days of the date of order)\textsuperscript{52}.

In order to make an empirical study, I was required to make a survey study by means of a questionnaire to ascertain as to whether people using insurance products and services of various companies have knowledge about the protection
available under the act & whether they are satisfied with their services or they have any grievance. I have identified the clientele group from Patiala & Sangur Distts & have elicited their views on the following questions included in my questionnaire:-

**Sr. No.: Particulars of the question’s posed**

1. Do you know about the consumer protection Act, 1986?

2. Is it true that provisions of consumer protection act, 1986 apply to insurance services given by Insurance companies?

3. Is insurance sector prone to deficiencies in services like other service areas?

4. Do you feel that Insurance officials/agents do not tell or disclose the negative points of the schemes/policies to the consumers while selling the same?

5. Is it true that all the policy holders are satisfied with the services of the people engaged in the business?

6. Are notices of premium falling due received by you from Insurance companies in time invariably?

7. Do Life insurance companies send notice afterwards when premium to be paid by the consumer become due?

8. When Life insurance contract is signed, and the policy is sold, whether the terms of contracts are explained to the consumer?

9. Is it a fact that periodical amounts of money-back policies are not paid in many cases by insurance companies?
10. Are the claims of pre-mature payment in case of death or disability not decided for months?

11. Is final payment on expiry of the term of policy is paid to the policy holder/nominee immediately without delay?

12. Whether Consumers are satisfied with the working of consumer courts?

On the basis of survey conducted, I received response sheet to the above questions from 50 persons in Patiala and 50 persons in Sangrur District of Punjab. A chart prepared after consolidating those responses is placed below, on the basis of which the following conclusions have been drawn:-

1. While 74% people are aware in Sangrur district and 82% people in Patiala are aware about the Consumer Protection Act, 1986. The numbers of people who are unaware of the act are very nominal. It means people are aware that such piece of legislation is there in which rights of consumes can be protected.

2. 68% persons in Patiala and 58% persons in Sangrur district are aware that provision of consumer protection act 1986; applied to insurance services and remaining are not aware. It shows that still awareness is required by the people so that they may fight for their rights.

3. 36% people in Patiala and 24% persons in Sangrur are aware that insurance sector is prone to deficiencies in services like other services. Majority of people have lack of such knowledge and therefore they are taking the things as presented by insurance agents to them. This is very serious matter and people need knowledge of high order.
4. Study also reveals that 34% people in Patiala and 36% people in Sangrur strongly agree that insurance officials do not disclose negative points of the insurance schemes or policies to the consumers while selling the same. It means that credentials of insurance agents are not trustworthy and people should not fall in their trap assuming what they say as definitely true, due to cheating tactics adopted by agents. Consumers should themselves satisfy from their own sources about the benefits and drawbacks of the policies.

5. Only 20% people in Patiala and 22% people in Sangrur strongly agree that policy holders are satisfied with the services of people engaged in insurance business. While others have opposite views. It shows that services of insurance agents leave much to be desired by the consumers.

6. 60% of people in Patiala and 64% in Sangrur strongly agree that notices for payment of premium are received in variably from the insurance companies by them. But a small fraction has negative view. It shows that all insurance companies are not very prompt in sending the notices for payment of premium.

7. 38% people in Patiala and 33% people in Sangrur agree that they receive notices for premium after due date, but 62% in Patiala and 67% in Sangrur say that they receive the notices, in time. In this regard law be passed that notices be sent well in time.

8. Only 12% of people in Patiala say that the terms of contract are explained to them by the insurance agents and almost all consumers of sangrur district say that these are not explained at all. It means policy holders are kept in
dark by the selling agents about the negative features of the policies which is very much deceptive.

9. About 72% of people in Patiala and 80% of people in Sangrur confirmed that money is not paid back by the insurance companies immediately when the policy is over and remaining don’t agree.

10. 56% people in Patiala and 66% in Sangrur agree that claims for premature payment in case of death or disability are not decided for many months by insurance companies and payments are unduly delayed. However others have the opposite views. It indicates that payments are not made promptly in cases of death and disability.

11. 62% people in Patiala and 52% in Sangrur agree that final payment of the policy is made without delay while others do not agree because their may also be delay somewhere.

12. 76% people in Patiala and 64% in Sangrur agree that consumer forums protect the interests of the consumers in the insurance sector and policy holders should utilize these forums for redressal of their grievances.

SUGGESTIONS

1. Each and every product/policy/scheme of insurance should be transparent enough so that even a lay man is able to understand it and analyze it.

2. The insurance companies should show genuine concern for the consumers if they are really serious for their business failing which they will loose the confidence of people.
3. Government and non-Government organizations (NGO) should come forward to guide the people about the hidden clauses of the insurance policies which can play havoc with the hard earned money of the people.

4. Number of consumer forums at the district level should be increased and proper staff strength should be provided to facilitate prompt disposal of the cases.

5. There should be severe punishment to the faulting insurance agents/companies who sell defective policies by misrepresenting the facts.

6. Government should make laws fixing time schedules for payment of the policy amount in the event of death/disability and even in general cases of maturity of the policy.

7. More campaigns like ‘Jago Grahak Jago’ should be launched through electronic media and print media to bring awareness among the people.

   It is quite pertinent to mention here that whatever the awakening is taking place among the people, it is all due to the Consumer Protection Act, 1986 as amended from time to time. Of the entire gamut of laws dealing with the protection of the consumer rights, the Consumer Protection Act (CPA), 1986 is probably the most important and gives the consumer most comprehensive protection against violation of his rights\textsuperscript{53}.

(E) **OMBUDSMAN:**

   A new administrative body has been appointed by the Insurance Regulatory and Development Authority in regard to the interest of the policy holders. The insurance ombudsman is empowered to receive and consider complaints in respect
of personal lines of insurance from any person who has any grievance against an insurer. The complaint has to be in writing, and addressed to the Jurisdictional Ombudsman within whose territory, a branch or office of the insurer complained against, is located. The complaint may relate to any grievance against insurer, partial or total repudiation of claims. Insurer, dispute in regard to premium paid or payable in terms of policy, dispute on the legal construction of the policy holders in case such dispute relates to claims, delay in settlement of claims and non issue of any insurance documents to customer after receive of payment. The limit of an ombudsmen's power is at present prescribed by IRDA at Rs. 20 lacs.  

(F) DETARIFFING THE INDIAN GENERAL INSURANCE INDUSTRY:

Insurance sector has been liberalized in the year 2000. Gradually the private sector players / Multi National Corporations (MCNs) are likely to mount pressure for detariffing and making it an indispensable evil. Before liberalisation Indian general insurance industry, the Tariff Advisory Committee (TAC), used to fix the tariffs regarding the General Insurance Products. A tariff is merely schedule of premium rates and policy terms and conditions applicable to risks in a class of business. But in common parlance only those schedule of rates and terms which are issued by a Central Authority and require compliance by all insurers, are called tariffs.

Detariffing is the way to initiate the process of liberalisation. It helps the insurers to develop range of products, as companies can have the independence to set rates. Products can be differentiated need-based products for customers can be walked out, insurers will offer products at competitive price, better customer
service will be made available, as a result, demand will increase and insurance culture will develop among the customers benefiting the masses. The common refrains both for and against detariffing as it is centered on the lack of sufficient information, because of absence of data, inadequacy of data, absence of statistical information and absence of scientific practice. The inference is that the general insurance industry, with its current set of data, is not in a position to harness the full potential of the Indian market to its advantages.

6.11 ACTS, RULES AND REGULATIONS REGULATING INSURANCE COMPANIES.

It is essential to mention here that in India, for the smooth conducting of insurance business and to regulate the conducts of insurance companies various acts, rules and regulations have also been made. These are as such;

1. The Insurance Act, 1938.
2. The Insurance Rules, 1939.
3. The war injuries (Compensation Insurance) Act, 1943.
4. The Industrial Disputes (Banking and Insurance Companies) Act, 1949.
24. The Insurance Regulatory and Development Authority (Salary and Allowances) payable to and other terms and conditions of service of, Chairperson and Other Members Rules, 2000.


40. The Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) Regulations, 2002.


42. The Insurance Regulatory and Development Authority (Distribution of Surplus) Regulations, 2002.


It is submitted that although various Acts, rules and regulations have been passed in India, yet the reality is that the Life Insurance Consumer is not fully satisfied and life insurance companies are still exploiting and fleecing the consumers. Hence, more consumer awareness and protection through legal way is required.
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