CHAPTER – V

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY AND GRIEVANCE REDRESSAL – Customer Service Function

5.1 Introduction

In the marketing of health insurance various intermediaries, insurance professionals, individuals and organizations are involved at various stages of transactions. They are selling or servicing of insurance product between the insurance consumer and insurance company, insurance agents, corporate insurance agents, insurance brokers, web aggregators, insurance repositories. The role of all these intermediaries has been mandated in various IRDA regulations.

5.2 Insurance Regulatory and Development Authority

In order to provide better insurance coverage to citizens and also to augment the flow of long-term resources for financing infrastructure, the Government of India opens the insurance sector to Foreign and Indian companies. Insurance Regulatory and Development Act, 1999 was passed. A statutory body of that name is setup to monitor the working of insurance companies. The Act contains 32 sections and 3 schedules. The schedules contain amendments made in Insurance Act, 1938, Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalization) Act, 1972.

The Insurance Regulatory and Development Authority is a body corporate by the name having perpetual succession and a common seal with power, subject to the provision of the Act, to acquire, hold and dispose of property both movable and immovable to contract and shall by the said name, sue or be sued. The head office of the authority shall be at such place as the Central Government may decide from time to time. The authority may establish offices at other places in India. (Section 3)
5.2.1 Composition of Authority

The authority shall consist of the following members, namely:

(a) a Chairperson;
(b) not more than five whole-time members;
(c) not more than four part-time members;

to be appointed by the Central Government from amongst persons of ability, integrity and standing who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which would in the opinion of the Central Government, be useful to the authority: provided that the Central Government shall while appointing the Chairperson and the whole-time members, ensure that at least one person each is a person having knowledge or experience in life insurance, general insurance or actuarial science, respectively. (Section 4) ¹

The Section 14 of IRDA Act, deals with powers and functions of the Authority that include:

1. Issuing a certificate of registration to the applicant insurer.
2. Protecting the interest of the policyholders in matters relating to the nomination by policyholders, claim settlement, surrender values of the policy, assigning of policy and other terms and conditions of contracts of insurance.
3. Specifying the code of conduct for surveyors and loss assessors and agents.
4. Promoting efficiency in the conduct of insurance business.
5. Specifying requisite qualifications and practical training for insurance intermediaries and agents.
6. Regulating the premium rates and terms.
7. Regulating the investment of funds by companies.
8. Promoting and regulating professional organization related to insurance and reinsurance business.
9. Levying fees and other charges for carrying out the purpose of this act.
10. Regulating the solvency margins. ²

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The insurance sector was opened for private participation in 2000, and IRDAI has been making suitable regulations and taking other measures from time to time with a view to ensuring the protection of the interests of the policyholders and orderly growth of the insurance sector. On July 12th, 2016, IRDAI has notified a revised Health Insurance Regulations. The regulations primarily intend to achieve the following main objectives:

- General Insurers or Health Insurers are permitted to offer pilot products to give scope for innovation.
- To encourage the wellness and preventive habits of the policyholders.
- Health insurers can offer Combo-Plans: which could be a hybrid of Health and any Life Plan to further enable insurers to leverage on the strengths of each other.
- Allow insurance companies to offer Loan/ Credit Linked Group Health / Personal Accident Insurance products to enable the insured to repay the loan in case the insured falls ill and is not able to repay the loan.
- Encourage renewal by simplifying the renewal procedures.
- To provide a permanent identity card (Smart Cards) to avail cashless facility which is valid as long as the policy is renewed with the company.

In a nutshell, the Authority’s constant endeavor is to bring greater accountability of insurers internally, to encourage innovation in product design, to promote wellness habits among the policyholders, to create a policyholder friendly environment and to bring about robust growth of the health insurance sector.³

### 5.3 Grievance Redressal

Insurance consumers encounter grievances with insurance companies concerning non-receipt of premium receipt, non-receipt of policy, non-renewal, cancellation, transfer of policy, wrong plan and term, nomination, assignment of

policies, non-payment of surrender value or maturity value, repudiation of claims, delay in settlement of claims, disputes regarding paid/payable claim amount, disputes regarding paid/payable/refund of premium, denial of motor third party insurance etc.

There is a suitable mechanism available for redressal of grievances of insurance consumers. Grievance department of insurance companies, Grievance cell of IRDA, Insurance Ombudsman, Consumer Disputes Redressal Agencies set up under the Consumer Protection Act 1986, are some of the important grievance redressal machineries for insurance consumers. The safeguards in the interest of insurance consumers, in the form of standing instructions have been provided, for compliance by insurers, under IRDA's Protection of Policyholders' Interests Regulations, 2002. IRDA has communicated to all insurance companies that Grievance Redressal Mechanism of insurance companies as well as of Insurance Ombudsman is to be communicated to all policyholders with the policy document in a prescribed manner containing addresses, contact number, email ID of office of insurance company, a higher official of the insurance company and of Insurance Ombudsman.

It is advisable that insurance consumer first makes a written representation regarding the grievance to the office of an insurance company who issued the policy by registered post and/or email. A copy of representation should always be sent to the Grievance cell at Head office of insurance company by registered post and/or email for redressal of grievance.

Further, the copy of proposal form, premium receipt, original policy document, claim intimation letter, claim form, bills etc. & the copy of all correspondence and of all documents must be kept in record by insured for future use. Whenever any letter or document is personally handed over to the office of insurer an acknowledgment with the date of receipt should be obtained.  

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5.3.1 Grievance Cell of IRDA

- Grievance Cell of IRDA does not settle the grievances of insurance consumers but it effectively facilitates speedy settlement.
- The complainant is required to first approach insurer and if not satisfied then the matter may be reported to the Grievance Cell of IRDA.
- Matters regarding delay & non-response pertaining to policies and claims from insurers are taken up by IRDA Cell with the concerned insurer.
- Integrated Grievance Management System (IGMS) of IRDA works through the website http://www.igms.irda.gov.in.
- Policyholder needs to login into the website and creates a profile for registering a complaint. Policyholders can register one or more complaints. Once the policyholder registers in to IGMS then details of the complaint are passed on to respective insurance companies. The Policyholder can see the details of the branch offices of the insurance company while registering the complaint. Policyholder receives the confirmation email after registering the complaint along with IRDA token number which will be used by IRDA and Insurance Company for tracking of the complaint through IGMS. A complaint registered through IGMS flows to the insurer's system as well as the IRDA repository. If the complainant is not satisfied with the resolution provided by Insurer, can escalate the complaint about a review by IRDA for a potential violation of Regulations. All the transactions between the insurer, insured and remarks by IRDA are visible to the complainant.
- Grievance cell of IRDA can also be contacted through Email: complaints@irda.gov.in.
- Grievance cell of IRDA can also be contacted through Toll Free No.155255.
- Complaint registration forms for life & general insurance are available on the website of IRDA (www.irda.gov.in)

5.3.2 Health Insurance - Role of Ombudsman in India

The Government of India created Institution of Insurance Ombudsman in 1998 to handle the grievances of consumers regarding insurance policies. This institution is of great importance to the consumers as they are given a platform to express their
issues with health Insurance companies and get the issues resolved. Since the institution of Ombudsman India is for protecting the policy holder’s interest, it puts consumer’s faith in the insurance companies and ensures that insurance companies are accountable in their transactions.\(^5\)

- It is a Government of India’s machinery for Redressal of Grievances of Insurance Consumers framed under the Redressal of Public Grievances Rules 1998.
- Complaints of insurance consumers pertaining to a partial or total repudiation of claims, delay in settlement of claims, non-issuance of policy, disputes regarding paid or payable premium, disputes regarding construction of policy wordings can be filed.
- Complaints pertaining to Personal line insurances (policy taken in an individual capacity including sole proprietors) like Life insurance, motor, health, householders insurance etc can be lodged with the Insurance Ombudsman.
- Partnership firms/companies cannot file complaints under these rules.
- A complaint can be filed by the insured or the legal heir of the insured.
- Complaint is required to be filed in writing on plain paper mentioning contact details of insured (with full address, phone and mobile number, email id), details of insurance policy with policy number, period of insurance, address and name of office of insurance company who issued the policy, type of policy (life, motor health etc.) and grievance details with amount of loss and supported by copies of documents. The complaint can be submitted personally or through the post.
- No fees/charges are required to be paid to Ombudsman and no advocate is required.
- Insured is necessarily required to first approach the insurer concerned and if reply not received within one month or not satisfied with the reply then only he can approach the office of Ombudsman.
- The complaint is required to be filed in the office of Ombudsman in whose jurisdiction policy issuing office of the insurer is located.

• A complaint may pertain to life or non-life and public or private insurance company.
• A complaint can be lodged within 1 year of rejection by the insurer and it should not be pending in any civil or consumer court.
• Complaints of the amounts up to Rs.20 Lakhs can be filed.
• Ombudsman recommends the settlement of the complaints by mediation within 1 month, otherwise passes the award within 3 months of receipt of the complaint.
• The ombudsman can also award ex-gratia payment of a claim. The award is binding, on the insurer but it is not binding on the complainant/insured who can approach a Consumer Court or Civil Court it is not satisfied with the award of the Ombudsman.
• There are 17 offices of the ombudsman in the country. Insurance Ombudsman operates only in the defined geographical area. Offices of the Ombudsman are located in the following Cities:
  Ahmedabad, Bhopal, Delhi, Mumbai, Chennai, Hyderabad, Bhubneshwar, Lucknow, Kolkata, Ernakulam, Guwahati, Chandigarh, Pune, Noida, Patna, Jaipur and Bengaluru.6

5.3.3 Portal for Public Grievances

Insurance consumers of the following public sector insurance companies can also lodge their grievances for redressal online at the portal http://pgportal.gov.in for public grievances by Department of Administrative Reforms and Public Grievances, Government of India.

• Life Insurance Corporation of India.
• National Insurance Company Ltd.
• New India Assurance Company Ltd.
• Oriental Insurance Company Ltd.
• United India Insurance Company Ltd7

6 www.irda.gov.in
7 http://pgportal.gov.in by Department of Administrative Reforms & Public Grievances, Govt. of India
5.3.4 Consumer Courts

Consumer courts are the last resort for a policyholder. People need not approach the ombudsman before knocking on the consumer courts' doors, can do so directly. “Approaching the consumer forum would be the simplest, fastest and most economical remedy. The forum is better accessible and awards compensation and costs.”

- To redress the complaints of consumers, under the Consumer Protection Act 1986 (Amendment 2002), District Forums in each district of the state, State Commissions in each state of the country and National Commission at Delhi have been set up.

- These Consumer Courts have simplified the adjudication process since nominal fees are charged and complaint can be filed directly by the complainant or by the legal heir or representative of deceased consumer or through an advocate.

- Complaints of the amount up to Rs.20 lakhs can be filed in District Forums, above Rs.20 lakhs and up to Rs.1 crore in State Commission and above Rs.1 crore in National Commission.

- District Consumer Forums decide the case within 3 months from the date of receipt of notice by opposite party.

- A complaint can be filed in consumer courts within 2 years from the date on which cause of action has arisen.

- Appeals against the awards can be filed within 30 days of the date of award and appeal is to be disposed within 90 days.

- Appeal to State Commission has to be accompanied with 50 percent of the amount ordered by District Forum or Rs.25000 whichever is less. Appeal to National Commission has to be accompanied with 50 percent of the amount ordered by State Commission or Rs.35000 whichever is less. Appeal to Supreme Court has to be accompanied with 50 percent of the amount ordered by National Commission or Rs.50000 whichever is less.

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8 Preeti Kulkarni, How grievance redressal for insurance policies work, https://economictimes.indiatimes.com
• Transfer of cases from one District Forum or State Commission to another is provided in the Act. Functioning of State commission and the National Commission at other places (other than capital/New Delhi) is allowed.

• In case of non-compliance of orders of consumer courts, there is the provision of stringent enforcement of orders in the Act.9

The insurance industry essentially being a service industry can exist and survive only if there is a customer. In this people-centric business where the customer expectations are ever rising, grievances are bound to arise. And if the customer has a grievance and that grievance is not satisfied it may lead to falling in the reputation of the insurance company and resultant loss of customer. Therefore, handling customer grievance is very important in insurance.

5.4 Summary

This chapter provides a brief outline of role and relevance of IRDA and Grievance Redressal and its implications for achieving better healthcare services. Functions of IRDA as well as the suitable mechanism available for redressing grievances of insurance consumers are clearly presented in the study. In the succeeding chapter 6 perception of health insurance policyholders of Chennai District about the preferred Health Insurance provider and products and its impact on the urban population.

9 http://ncdrc.nic.in/