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organised jointly by the Institute of Insurance and Risk Management and the Insurance Regulatory and Development Authority of India.

The IRDA as a regulatory body and the IIRM as an Institute training insurance professionals are both keep to ensure that focus of our efforts remains on the Consumer and at every opportunity we revisit this issue to see what has been done in this area and what remains to be done.

Opening up of the Sector

You would recall that when the sector was opened up for private participation the argument advanced by the Government in favour of entry of private insurers is that the consumer benefits with the on set of competition. Competition brings with it not only moderation on the price front, but also improvements in the levels of service provided to the customers. We have seen this phenomenon in both manufacturing and services sector. Insurance is no exception and we do see this happening in insurance too. We see more products, greater choice to the consumer and at different price ranges.

We have to, however, recognize that competition brings in its wake aggressive marketing by companies and possibilities of misselling. The IRDA has therefore, came out with regulations on advertising. We have, intervened, where necessary to ensure that the claims made by the insurers are in conformity with the product profits and benefits not covered in the product are not promised.

Many issues arise in the product area that is of importance to consumer protection. There is the need for great rectitude in selling, and proper disclosures and transparency are to be made in the sale process. Insurers need to do considerable capacity building in the agency force they have recruited, and ensure that the sales processes they follow are constantly upgraded. In the life sector the sale is followed by the concept of a free-look period which permits the insured to opt out of the cover within the timeframe allowed by the policy with no obligations. We have not felt the need for such a dispensation in the case of non-life products as they are not long term products.

There has to be considerable clarity in the area of rating. The actuarial dictum is that prices should be adequate, not unfairly discriminatory and not excessive. In this context complaints have been voiced by consumers regarding arbitrary actions on the part of insurers in loading premiums excessively particularly in health insurance, or in restricting of covers, or imposing arbitrary deductible and so on. It is well known that insurers while developing their products have to look

closely at experiences and exposures, and are aware of the claim development processes. Therefore, in class rates it is not in the interest of the consumer to penalize an individual insured merely because a claim has arisen, or refuse to renew cover all on a sudden to persons beyond a certain age that are coverable as per the prospectus and other documents of the insurer. Every action of the insurer has to be justified in terms of class equity and unless there are instances of fraud or misrepresentation, it would be wrong to target individual customers in class rated products. Similarly there cannot be inequities within a class of business where groups or corporate business is subsidized and individuals insured are penalized on the plea that the portfolio is bleeding.

Other expectations of consumers are also of considerable importance. Renewal of the policy is an area of critical concern and there should be provision to inform the policyholder well in advance of the expiry date if the insurance is not going to be renewed or the terms are to be restricted. Even where the terms of renewal is subject to terms being mutually agreed, the clause cannot serve as a means of avoiding renewal by insisting on very high renewal premium. Where the renewal is not guaranteed or automatic in a class of business such as health, and where there is a normal expectation of continuity by use of clauses offering no claim discount and specifying upper age limits in cover, the continuity promise should be honoured unless there are clearly determined and legally sustainable reasons not to do so. Similarly, cancellation of policy has to be justified and stand the test of scrutiny, if required, by independent authority.

It is well understood that the terms and conditions of cover should be fair between the insurer and insured. Conditions and warranties should be reasonable and capable of compliance. Exclusions should not be framed in such a manner that the value of insurance is lost. Similarly policyholders should not be forced to buy covers that they do not need as a pre-condition for being granted a cover that they need. The procedures they need to comply with in case of claims should be clearly spelt out, and should be within the compliance capabilities of the customer.

In the interests of the consumer the Authority has come out with specific Regulations. Noteworthy in this connection are the following Regulations:

- Insurance Advertisement and Disclosure Regulations 2000
- Protection of Policyholders' Interests Regulations 2002

In the regulations dealing with various intermediaries', codes of conduct has been laid down, with a view among other things, to ensure that proper service and disclosures are made to the consumer. Protection of Policyholder Regulation bring to the fore the need to tighten up many of the current practices traditionally in vogue among insurers. Issues relating to selling, documentation and claims are spelt out for compliance. An important area for implementation is to constitute proper procedures and effective mechanism to address grievances with efficiency and speed and the same should be communicated along with

information in respect of the Insurance Ombudsman to the policyholder. All insurers need to re-examine and improve their current procedures in the light of this clear direction in the Regulations.

The Authority has been conscious of the need to review the procedures and practices adopted by various insurers in the light of increasing complaints. It was felt that some of the insurers need to address the issue of making their systems more responsive and effective. It was also felt that a review of the Regulations for Protection of Policyholders' Interest, 2002, was required. A Committee was accordingly set up to look into the existing redressal systems in insurance companies and make recommendations for their improvement and study the needed changes in the protection of Policyholders' Interests Regulations. The Committee is headed by Shri V. Kamesam, Managing Director, IIRM. The report of the Committee is expected shortly and a view to improve customer grievance processes and systems, as also on policyholder interests Regulation will be taken after due consultations.

This conference is thus being held at a time when there is rapid expansion in insurance coverage and new policy initiatives are being taken in the non-life segment. The Authority expects that complaints and grievances may go up in view of larger varieties of products being brought out by all insurers and in the non-life sector especially owing to the removal of tariffs. It is therefore incumbent on the insurers to work along with the Regulator, to take initiatives to speed up redressal systems and review policy wordings along with procedures and systems, so that the root causes of disputes and complaints can be looked into and rectified.

I am sure that the deliberations of this seminar will look at all these issues and help to generate more effective and purposeful action plans in all the regulated entities.

I once again extend a warm welcome to our esteemed Chief Guest Hon'ble Justice Shah, Smt. Rajyalakshmi Rao, Justice Venkatanarayana and all our guest speakers and distinguished guests.
