

Focus on claim settlement is not enough

Thrust of Irdai's latest draft guidelines is mostly procedural. Other issues like high expenses, low priority on servicing and policy mismatch with customers could have been addressed

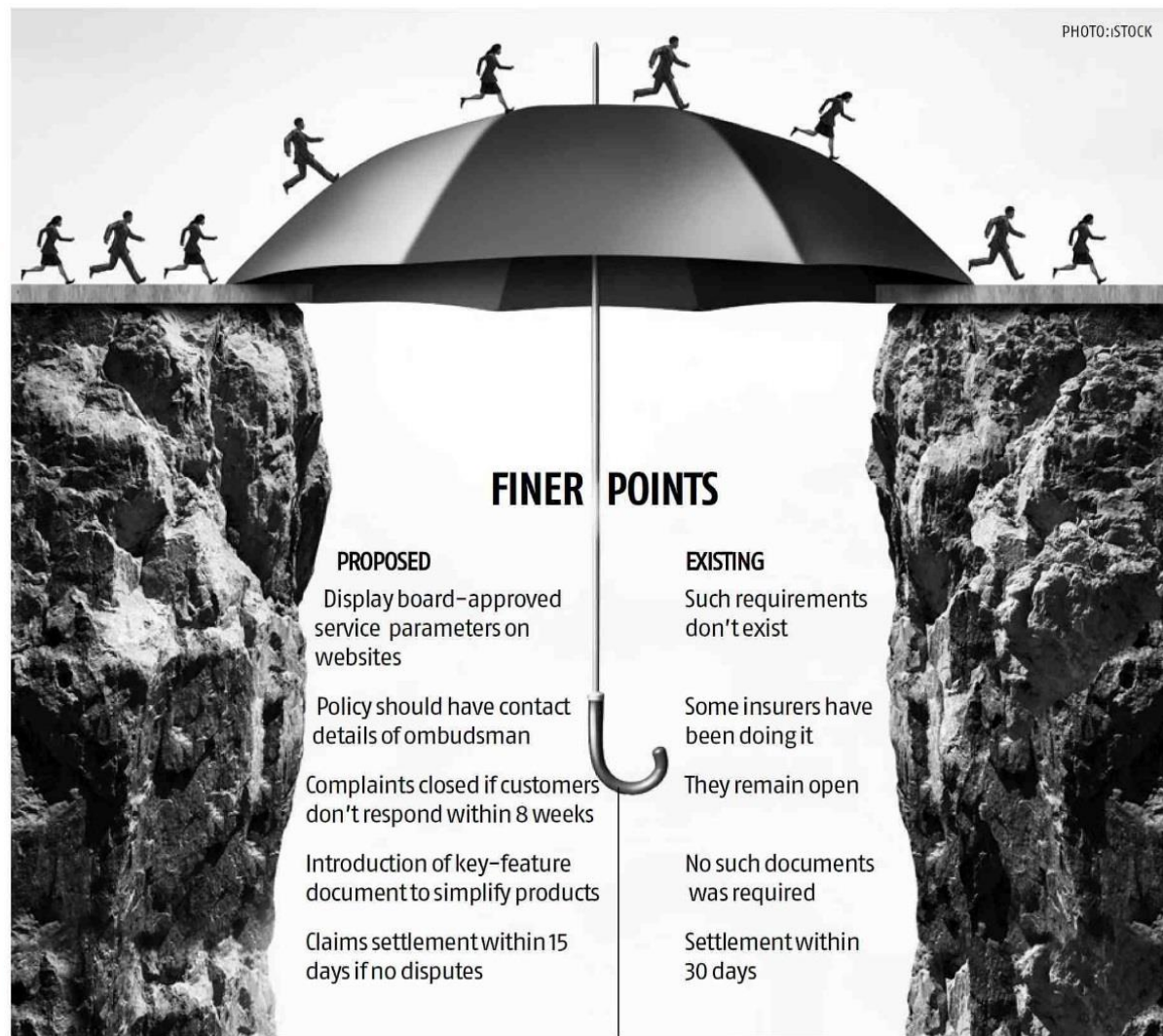
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Buying an insurance policy, whether life, health or auto, can often be a pain. There are enough complaints of how people have faced problems while buying, follow-up servicing and claims settlement. For example, Tapan Kumar, a manager in a restaurant, was made to run from pillar to post when he wanted to return a policy within the free-look period of 15 days. "My chartered accountant told me that the premium was too high for someone of my age. So, I decided to return the policy. Initially, they told me that it cannot be returned, and when I insisted, they asked for a large number of documents," says Kumar. Luckily, another colleague in his restaurant knew a senior person in the insurance company and his policy was returned.

In the past few years, the insurance regulator, under former chairman J Hari Narayan and current chairman T S Vijayan, has taken on several teething problems like expenses and transparency, but there are a lot of things to be done to make insurance — from buying to claims settlement — a smoother process.

The Insurance Regulatory and Development Authority of India (Irdai)'s latest draft on Protection of Policyholders' Interests Regulations 2002 focuses on claims settlement as the main theme. The draft is seeking feedback from policyholders, companies and other stakeholders and the final rules will be notified after that.

The proposed regulation can make claim settlement more transparent and defined deadlines to ensure insurance companies proactively settle claims sooner. The draft also ensures that steps taken to prevent mis-selling is decided at the highest level — board of a company. Some of the key highlights



include:

50 per cent reduction in claim settlement: The regulator wants to bring down payment of claims to within 15 days from the current 30 for life insurance in cases where the insurance company does need to investigate the claims. The deadline would start once the policyholder, family members, or nominee submits all the required documents and there's no dispute. In case of dispute or if a claim requires further investigation, it would now need to be completed within 90 days. Irdai now wants complete settle-

ment within 270 days from the date of claim intimation. "Usually, insurers investigate claims if they arise within two years of policy purchase. There are also areas insurers have identified from where higher number of fraudulent claims have been made in the past," says CL Bhardwaj, chief compliance officer and chief risk officer, Bharti AXA Life Insurance. Now, all these things have to be time bound.

Also, in cases in which a claim is due for payment but it cannot be made due to any reasons, the life insurer shall pay interest at a

rate, which is two per cent above the bank rate. The same goes for health insurance claims.

Another good news is that the policyholder can demand surveyor's report in case of general insurance. Insurance companies base their claim settlement on a surveyor's report, and the law does not mandate the insurer to share it with the policyholder. The demand for report, therefore, was rejected until now. "Surveyors would need to send photographs within 24 hours, interim report within 15 days and final report within 30 days," says

Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance.

Consumer protection at Board level: If new rules are implemented, every insurer need to have a Board-approved policy that covers steps taken to enhance awareness among policyholders of their rights and responsibilities; details of how policyholder can do to get faster resolution of their complaints and also steps taken to prevent mis-selling.

Simplifying products: The regulations propose that life insurance companies should start providing their customers a key-feature documents, which should explain important features of the policy in simple language. It should also highlight that the policy can be returned within the free-look period of 15 days, if the terms and conditions are not the same as discussed by the agent or seller. "The starting point needs to be the language itself. Policy documents, today are full of legalese and in order reduce the number of pages, the fonts are compressed. It is very difficult to read or understand," says J Hari Narayan, former chairman, Irdai.

Not adequate protection: There's extensive information that insurers would need to mention in the policy document, as per the draft. But experts say that the regulator should have made more efforts to demystify complex products such as traditional and unit-linked insurance plans. "Life insurance companies are embroiled in consumer complaints time and again with policyholder claiming that the proposals forms were filled by them. The regulations should have addressed this issue in black and white," says D Varadarajan, a Delhi-based Supreme Court advocate, who has been on the panel of several Irdai's committees.

Varadarajan says that at times public sector insurers insist that policyholders should obtain surveyor's report by applying under the Right to Information Act, ignoring the extant regulations that they are duty bound to supply it when on policyholders' request. The regulator needs to take care of this. Also on the mis-selling front, the regulator needs to do more to curb mis-selling by brokers and online portals and also make products more transparent, say experts.