

14

Customer protection

Contents	Syllabus learning outcomes
Learning objectives	
Introduction	
Key terms	
A The importance of customer protection	14.1
B IRDA (Protection of Policyholders' Interests) Regulations 2002	14.3
C Typical complaints	14.2
D Handling customer complaints effectively	14.4

E The role of the Insurance Ombudsman F Grievance Redressal Cell of the IRDA G A typical complaint H Renewal of licence Key points

Question answers

Self-test questions

14.3

14.4 14.2,14.3

14.2

Learning objectives

After studying this chapter, you should be able to:

- recognise the importance of customer protection;
- discuss the IRDA (Protection of Policyholders' Interests) Regulations issued by the IRDA in 2002;
- outline the matters to be included in a life insurance policy;
- discuss the internal grievance redressal mechanism of insurance companies;
- discuss the role of the Insurance Ombudsman in settling insurance disputes;

- . • describe the ways in which complaints received by the Ombudsman are handled;
- . • describe the typical complaints made against insurers and insurance agents;
- . • discuss the various measures taken by the IRDA to handle customer complaints effectively;
- . • describe the Grievance Redressal Cell of the IRDA;
- . • state the circumstances in which the IRDA can renew an agent's licence.

Introduction

As with any business, insurance companies aim to make a profit. However, there is an increasing awareness within all types of businesses that profits should not be made at the expense of customers' interests and that a business has a responsibility to take the interests of all its stakeholders (including its customers) into consideration when making decisions about how it operates. This includes communicating clearly and in a manner that will be easily understood by customers.

In the field of financial services, and insurance in particular, the more financially literate a customer is, the easier it will be to protect their interests. In many parts of India this is not the case and all stakeholders, including life insurance agents, have a responsibility to ensure that their dealings with customers are as transparent as possible; providing relevant information as accurately and concisely as possible.

In support of this, various measures have been taken by key industry stakeholders (IRDA, insurers, insurance councils etc.) on an ongoing basis to provide insurance customers with the best service possible and to ensure that their interests are protected. We shall discuss the following key measures in this chapter:

- . • regulations issued by the IRDA for the protection of policyholders' interests;
- . • insurers' internal grievance redress cells;
- . • the Insurance Ombudsman;
- . • the role of the Consumer Affairs Department of the IRDA;
- . • the IRDA's Grievance Redress Cell; and • other measures taken to protect the policyholder.



Key terms

This chapter features explanations of the following ideas:

Customer protection	Prospectus	Proposal for insurance	Grievance redressal procedure
Claim procedure	Policyholders' servicing	Insurance Ombudsman	Settlement
Award	Recommendation	Typical complaints	Grievance management system
Grievance Redressal Cell of the IRDA	Key features document	Consumer Affairs Department	Renewal of licence

A The importance of customer protection

Customer protection in the insurance industry is of great significance for a number of reasons. As mentioned in the introduction, in some parts of India financial literacy levels are still low compared to many other countries. As a result, customer protection measures play an important role in safeguarding customers' interests should they have a problem with an agent or insurance company at any stage; during the selling process, at renewal or at the point of making a claim, for example.



Be aware

Many people still do not appreciate the importance of having insurance cover and prefer to live with the risk rather than transferring it to an insurance company. This explains the low penetration of life insurance in India which is still less than 10% of the population. Of these, many do not have the adequate level of protection they should ideally have.

Of those who do have insurance cover, many have complaints about claims settlement, premiums, policy servicing, policy terms and conditions; a significant proportion of which result in legal disputes. This trend is detrimental to customers, individual agents and insurers alike, in addition to the overall growth of the insurance industry. Therefore, it is important for agents and insurance companies to focus on satisfying their customers and placing their interests at the heart of how they perform their roles and carry out their operations.



Be aware

An informed and satisfied customer is a brand ambassador for the industry. Therefore, it is in the interests of all industry stakeholders to protect the customer.

The agent should make sure that he gives all possible product information and makes proper disclosures to the potential client at the time of fact-finding so that there is no scope for potential future grievances. However if, after buying a policy, a customer still has a grievance then the agent should guide the customer

in a proper manner through the appropriate channel. The agent, as an intermediary between the customer and the insurance company, should try to get the issue resolved as quickly as possible. This would add a personal touch to the process and help considerably in mitigating customer dissatisfaction.

B IRDA (Protection of Policyholders' Interests) Regulations 2002

In October 2002 the IRDA, in consultation with the Insurance Advisory Committee, issued the following Regulations for the protection of policyholders' interests.

B1 Point of sale

1. A prospectus of any insurance product will clearly state:

- . • the scope of benefits;
- . • the extent of insurance cover;
- . • the exceptions and conditions of the insurance cover in a straightforward manner;
- . • whether the product is participating (with-profits) or non-participating (without-profits);
- . • the premium on all the riders relating to health or critical illness, in the case of term or group products, shall not exceed 100% of the premium of the main policy;
- . • that the allowable rider or riders on the product will be clearly spelt out with regard to their scope of benefits, and under no circumstance will the premium relatable to all the other riders put together exceed 30% of the premium of the main product; and
- . • the benefits arising under each of the riders shall not exceed the sum insured under the basic product.

1. 2. An insurer or its agent or other intermediary shall provide all material information in respect of a proposed cover to the potential client to enable them to decide on the most appropriate cover for them.

2. 3. Where the potential client is reliant upon the advice of the insurer or an agent or an insurance intermediary, such a person must recommend product(s) based on the need(s) of the prospective client.

3. 4. Where, for any reason, the proposal and other connected papers are not completed by the potential client, a certificate may be incorporated at the end of the proposal form that the contents of the form and documents have been fully explained to them and that they have fully understood the significance of the

proposed contract.

Be aware

In the process of a sale, the insurer or its agent or any intermediary shall act according to the code of conduct prescribed by:

- the Authority; ?
- the Life Insurance Council; and ?
- the recognised professional body or association of which the agent or intermediary or insurance intermediary is a ? member.



B2 Proposal for insurance

Figure 14.1

A proposal for grant of cover must be evidenced by a written document. It is the duty of an insurer to provide the insured with a complimentary copy of the proposal form within 30 days of the acceptance of a proposal.



Forms and documents used in the grant of cover may, depending upon the circumstances of each case, be made available in languages recognised under the Constitution of India.



Where a proposal form is not used, the insurer will record the information obtained orally or in writing, confirm it within a period of 15 days thereof with the proposer and incorporate the information in its cover note or policy. The onus of proof rests with the insurer in respect of any information not recorded, where the insurer claims that the proposer suppressed any material information or provided misleading or false information on any matter material to the grant of a cover.



Wherever the benefit of nomination is available to the proposer, the insurer will draw the attention of the proposer to the terms of the Insurance Act 1938, or the conditions of the policy, and encourage the potential client to utilise the nomination facility.



Proposals will be processed by the insurer with speed and efficiency and all decisions thereof shall be communicated in writing within a reasonable period not exceeding 15 days from receipt of proposals by the insurer.



Be aware

In filling out the proposal form, the potential client is to be guided by the provisions of section 45 (Indisputability Clause) of the **Insurance Act 1938**. Any proposal form seeking information for the grant of life cover may prominently state therein the requirements of section 45 of the Act.

B3 Grievance redressal procedure

Every insurer must have proper procedures in place to address the complaints and grievances of policyholders efficiently and with speed. This also applies to the information in respect of the Insurance Ombudsman which will be communicated as necessary to the policyholder along with the policy document.



Be aware

The internal grievance redress mechanism to be followed by every insurer and the role of the Insurance Ombudsman will be discussed in detail in section E of this chapter.

B4 Matters to be stated in a life insurance policy

1. A life insurance policy will clearly state the following:

- . • the name of the plan governing the policy, including its terms and conditions;
- . • whether it is participating in profits or not;
- . • the basis of participation in profits such as cash bonus, deferred bonus, simple or compound reversionary bonus;
- . • the benefits payable and the contingencies upon which these are payable and the other terms and conditions of the insurance contract;
- . • the details of the riders attached to the main policy;
- . • the date of commencement of risk and the date of maturity or date(s) on which the benefits are payable;
- . • the premiums payable, period of payment or grace period allowed for payment of the premium, the date of the final instalment of premium, the implications of discontinuing the payment of an instalment(s) of premium and also the provisions of a guaranteed surrender value;
- . • the age at entry and whether this has been admitted;
- . • the policy requirements for:
 - . (i) conversion of the policy into a paid-up policy,
 - . (ii) surrender,
 - . (iii) non-forfeiture, and
 - . (iv) revival of lapsed policies;
- . • contingencies excluded from the scope of the cover, both in respect of the main policy and the riders;
- . • the provisions for nomination, assignment and loans on security of the

policy and a statement that the rate of interest payable on such loan amount shall be as prescribed by the insurer at the time of taking the loan;

- . • any special clauses or conditions, such as first pregnancy clause, suicide clause etc.;
- . • the address of the insurer to which all communications in respect of the policy shall be sent;
- . • the documents that are normally required to be submitted by a claimant in support of a claim under the policy; and
- . • along with the policy document the insurer should also include information on how to contact the Insurance Ombudsman. In the event that the policyholder is not satisfied with the insurer in any aspect and the insurer has not resolved the issue within a reasonable timeframe, the policyholder can approach the Insurance Ombudsman with their grievance.

Suggested activity

Ask your family members or friends if any of them have bought a life insurance policy. If yes, then compare the policy with the above mentioned points and see how these points are mentioned in the policy.



1. 2. In accordance with Regulation 6(1) of the above referred Regulations, in forwarding the policy to the insured, the insurer will inform the policyholder by letter that they have a period of 15 days from the date of receipt of the policy document to review the terms and conditions of the policy. Where the insured disagrees with any of the terms or conditions of the policy, they have the option to return the policy stating the reasons for their objection. The policyholder is entitled to a refund of the premium paid, subject only to a deduction of a proportionate risk premium for the period on cover, the expenses incurred by the insurer on medical examination of the proposer and stamp duty charges. This 15 day period is also known as the free-look period or the cooling off period.
2. 3. In respect of a unit-linked policy, in addition to the deductions under sub-regulation (2) of this Regulation, the insurer shall also be entitled to repurchase the unit at the price of the units on the date of cancellation.
3. 4. In respect of cover, where premium charged is dependent on age, the insurer will ensure that the client's age is admitted as early as possible before the policy document is issued. If their age has not been provided by the time the policy is issued, the insurer will make efforts to obtain proof of age as soon as possible.

Question 14.1

What details should the prospectus of an insurance product clearly state?



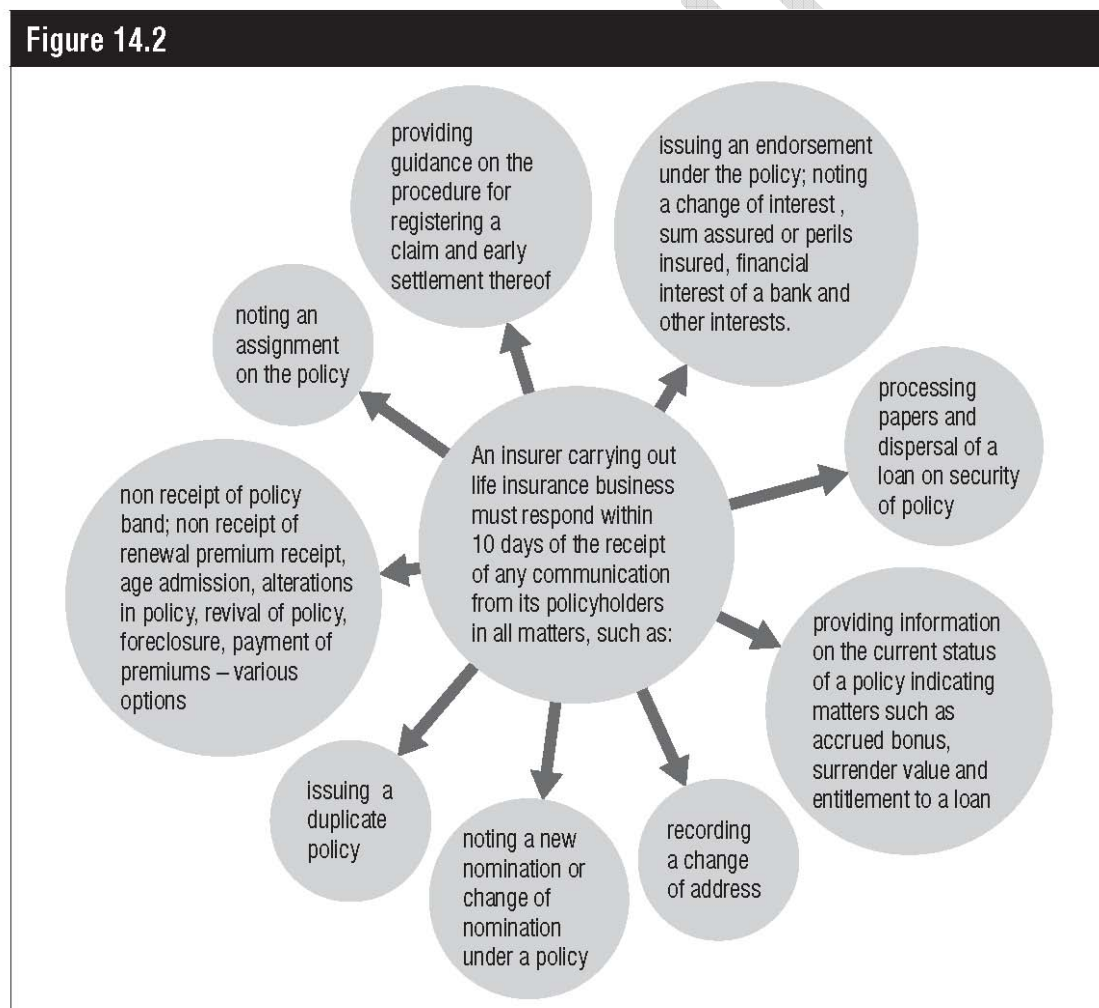
B5 Claims procedure

In the Protection of Policyholders' Regulations the IRDA has also laid down various procedures to be followed pertaining to settling life insurance claims. We have already studied these guidelines in chapter 11 where we discussed claims in detail.

Each insurer will periodically inform the insured of their own responsibilities (with regards to policy terms and procedures) when lodging a claim throughout the claims process. This is in order for the insurer to streamline the process and settle the claim promptly.

B6 Servicing of policyholders

Figure 14.2



Suggested activity

Ask your family or friends if they have ever had to contact their life insurer for any of the above points. If yes, ask them how the company went about addressing their request and how quick and friendly the company's service was.

Insurance agents are the face of the insurance company to its policyholders and they interact directly with the policyholders. Therefore, it is the duty of an insurance agent to serve the customer in the best possible manner, as outlined below:

- Therefore, as an agent you should always place your customers' interests above everything else and serve your customers in the best possible manner.**

In this section we will look at some of the typical complaints lodged by policyholders. The intention of this section is to make you aware of these complaints so that as an agent you don't falter on your commitments and can help these complaints be avoided.

Another associated concern is the effectiveness of an after-sales service. This is an important feature of the Indian insurance market and is something that the customer expects. Consequently, agents need to ensure that they are constantly in touch with their customers, providing them with the much needed confidence that they are at their service when required.

C1 Complaints against insurance companies

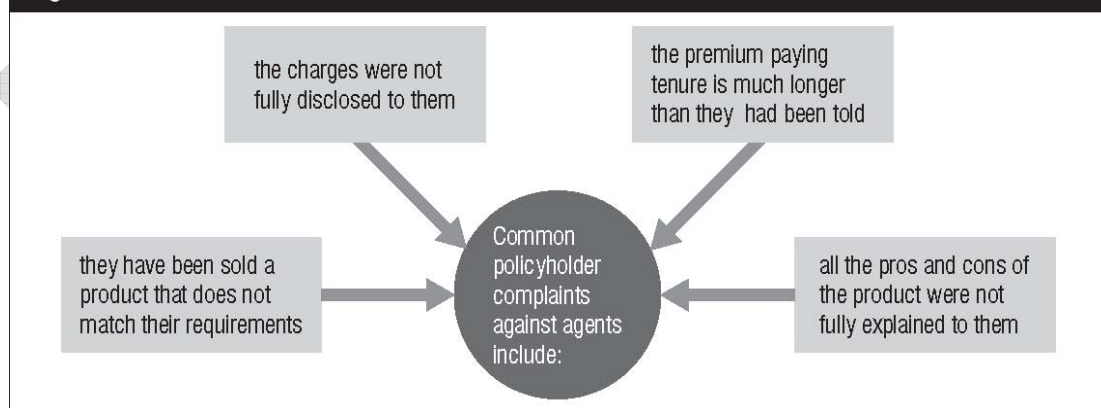
Some of the most common complaints registered against insurers are:

Claim-related complaints	<ul style="list-style-type: none"> • Repudiation of the claim;? • Survival benefit not being paid;? • Non-settlement of maturity payment;? • Non-payment of annuities;? • Claim amount not correct; and? • Penal interest not being paid.?
Policy servicing-related complaints	<ul style="list-style-type: none"> • Non-receipt of policy bond;? • Cancellation of policy;? • Error in policy schedule;? • Issue of duplicate policy;? • Alterations in policy;? • Nomination/assignment of policies;? • Partial withdrawal-related;? • Non-receipt of statement of account/bonus;? • NAV-related in case of ULIPs; and? • Free-look refund.?
Policy lapse-related complaints	<ul style="list-style-type: none"> • Revival of lapsed policies;? • Non-payment of surrender value; ? • Correct surrender value not being paid; and? • The consequence of non-payment of interest on loans in a lapsed policy ? causing foreclosure of a policy.

C2 Complaints against agents

Some of the common complaints registered against agents include the following:

Figure 14.3





Be aware

As a new agent you should pay careful attention to your client's needs and requirements to be sure of the policy's suitability before you sell it to them. Look back at sections B and D of chapter 10 to remind yourself of how to go about recommending the correct policy for a client's needs.

D Handling customer complaints effectively

In this section we will look at some of the initiatives taken by the IRDA to protect the interests of policyholders and the grievance redressal mechanisms available to the policyholder. As an agent you will need to understand the obligations set out in the regulations and guidelines and position your behaviour and conduct appropriately.

Whilst an agent must make their clients aware of their rights and the processes involved in making a complaint, they are also responsible for alerting their clients to their own obligations. These include making honest disclosures about their health, habits, personal information, history etc., all of which are crucial for acceptance of the risk.

The IRDA has established the Consumer Affairs Department to make sure that customer complaints are handled effectively.

D1 Consumer Affairs Department



Be aware

The objectives of the Consumer Affairs Department are to:

- Give a special focus to and oversee the compliance by insurers of the IRDA Regulations for Protection of Policyholders' Interests; and
- Empower consumers by educating them about the details of the procedures and mechanisms that are available for redressing grievances.

Policyholders must be provided with inexpensive and speedy mechanisms for complaints disposal. The IRDA (Protection of Policyholders Interests) Regulations 2002 require insurance companies to have effective internal grievance redressal mechanisms in place. The IRDA has also issued Guidelines for Grievance Redressal, which lay down specific timeframes and turnaround times (TATs) for response, resolution, etc., and will further strengthen the redressal systems insurers already have in place.

D2 Integrated Grievance Management System (IGMS)

The effectiveness of the grievance redressal mechanism needs to be monitored by the Regulator. To enable the creation of a central repository of industry-wide insurance grievance data, the IRDA is on the verge of implementing the

Integrated Grievance Management System (IGMS).

IGMS will create a gateway for policyholders to register complaints with insurance companies first and, if needs be, to escalate them to the IRDA Grievance Cell.

IGMS is a comprehensive solution which not only has the ability to provide centralised and online access to the policyholder, but also complete access and control to the IRDA for monitoring market conduct issues of which policyholder grievances are the main indicators.

IGMS will have the ability to classify different complaint types based on pre-defined rules. The system will be able to assign, store and track unique complaint IDs and notify various stakeholders as required within the workflow. The system will enable defining of target turn around times (TATs) and measure the actual TATs on all complaints. The system will set up alerts for pending tasks nearing the planned turn around time and will therefore automatically trigger activities at the appropriate time through rule-based workflows.

A complaint registered through IGMS will flow simultaneously to the insurer's system as well as the IRDA repository. Status update by the insurers would automatically be mirrored in the IRDA system. IGMS will be able to generate reports on all criteria such as status, nature of complaint and any other parameter that is defined. Thus, IGMS will provide a standard platform to all insurers to resolve policyholder grievances and will provide the IRDA with a tool to monitor the effectiveness of insurers' own grievance redressal systems.

D3 Internal grievance redressal cell of the insurer

As per the guidelines provided by the IRDA under the Regulations for Protection of Policyholders' Interests, every insurance company will have a grievance redressal system to address the complaints of clients. An internal grievance redressal system helps to provide a speedy resolution to clients. On 28 July 2010 the IRDA issued detailed guidelines on the grievance redressal procedures to be adopted by all insurance companies. Insurers' grievance redressal systems normally involve the following two-tier system.

D3A Grievance registration mechanism

Customers can register their complaint with the insurance company either by calling up its customer care department, writing an email to the company's helpdesk, or by registering a complaint with the officer at a branch office.

Most insurance companies normally provide the helpline number and grievance redressal contact email address on their website, proposal forms, product brochures and policy documents. The insurance company has to acknowledge receipt of the complaint within three working days and has to provide a resolution

in a specified number of days. Turn around time for resolution is normally stated by the company during registration of the complaint.

D3B Grievance redressal officer

If the customer is dissatisfied with the reply/explanation or solution provided by the customer care cell, or if the customer care cell fails to resolve the grievance in the specified turn around time the customer can escalate the complaint to the next level. In such cases the customer can approach the grievance redressal officer named by the insurance company at the branch location/divisional, regional or zonal area/central or corporate office to address the complaint. This grievance redressal officer is also called a nodal officer by some insurance companies.

If the customer is still not satisfied or the grievance redressal officer is unable to provide a resolution, they can approach the next highest officer in the hierarchy named by the insurance company who may be called as the appellate authority (or the person responsible for appealing to a higher authority) for redressal of their complaint.

This hierarchy is company-specific and details of it can be found on the insurance company's website.

Be aware

The IRDA has stipulated the turn around time for specific grievances such as:

- The client has asked for the cancellation of the policy, but the insurance company has failed to do so; and?
- The client has paid an additional premium for additional cover, but the insurance company did not issue ? endorsements.

In both the above cases, the insurance company must respond within 10 working days of the complaint being registered.



Be aware

If the insurance company rejects a complaint, it needs to provide a valid reason for doing so.



Each insurance company must advise the client/claimant, particularly in the case of death claims, that they can approach the Insurance Ombudsman, by stating the address, contact number, email address etc. of the Ombudsman, if they are not satisfied with the decision of the insurer.

D4 Other initiatives by the IRDA to protect policyholders

A number of initiatives have been taken by the IRDA recently to protect the interests of policyholders. These initiatives include:

D4A Key features document

One of the recent initiatives of the IRDA, to ensure that clear information regarding products is given to the policyholder in a way they can understand, is the proposal to introduce a key features document in simple language. The test of a key features document is whether or not the target customer for a particular product understands its main features and is able to take a decision as to whether the product is suitable for them. A key features document would also ensure disclosure by insurers of other important information such as premium details, payment modes, various charges, risks involved and what happens in the event of discontinuance etc.

D4B Needs analysis or suitability

Needs analysis or suitability is another initiative identified by the IRDA as a step in curbing inaccurate advice and mis-selling. An exposure draft on the subject has been issued. The Authority is currently working on putting a system in place to ensure that proposals go through a prospect product matrix before the sale is actually effected. This is to ensure that mis-selling does not take place.

D4C Guidelines for direct marketing

The guidelines addressing issues relating to distance marketing are proposed to focus on new challenges of mis-selling that have occurred with the advancement of technology. While the benefits of having new and faster channels need to be reaped, the gaps created by them also need plugging.



Be aware

The IRDA as a regulator takes various initiatives from time to time to protect the interests of policyholders. However, the IRDA is not vested with the power of adjudication. It can only facilitate the resolution of grievances by taking them up with the insurance companies concerned.

E The role of the Insurance Ombudsman E1 The

Insurance Ombudsman's objective

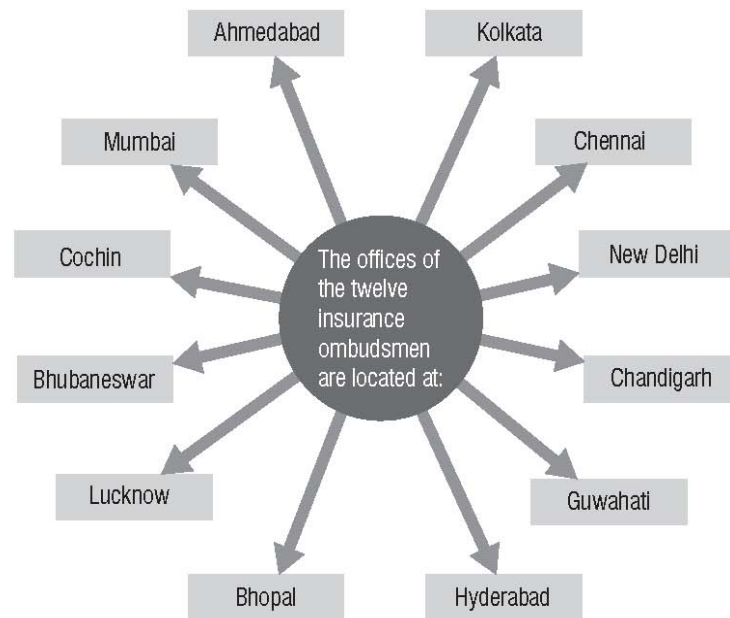
The Institution of Insurance Ombudsman was created by the Government of India Notification dated 11 November 1998 with the purpose of resolving insured customers' grievances quickly and to mitigate the problems involved in redressing these grievances. This Institution is of great importance and relevance for protecting policyholders' interests and also in building confidence in the system. The Institution has helped to generate and sustain confidence amongst both customers and insurers.

The main objective of the Ombudsman's office is to resolve complaints relating to claims, disputes with regard to terms of policy or premium paid, and the non-issue of policy documents in a cost-effective, impartial and efficient manner. With regards to a complaint, if any client is dissatisfied with the action taken by the insurance company in the mentioned areas, they can approach the Insurance Ombudsman.

E2 Territorial jurisdiction of ombudsmen

The governing body has set up twelve ombudsmen offices across the country. Each ombudsman office has been allotted a different geographical area as their area of jurisdiction and they may hold sittings at various places within their area of jurisdiction in order to expedite the disposal of complaints.

Figure 14.4



E3 Functions of the Ombudsman

The Insurance Ombudsman has two types of function to perform:

- conciliation; and
- making awards.

The Insurance Ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any person who has a grievance against an insurer. The nature of the complaint may relate to any grievance against the insurer. Examples include:

- any partial or total repudiation of claims by the insurance companies;
- any dispute with regard to premium paid or payable in terms of the policy;

- any dispute on the legal construction of the policy wording in the case that such a dispute relates to claims;
- a delay in settlement of claims; and
- non-issue of any insurance document to customers after receipt of premium.

Insurance companies are required to honour the awards passed by the Insurance Ombudsman (which must be made within three months) within 15 days.

Be aware

The Ombudsman's powers are restricted to insurance contracts of value not exceeding Rs. 20 lakhs.



E4 Manner of lodging a complaint

The aggrieved person's complaint must be in writing and addressed to the relevant Insurance Ombudsman in the jurisdiction under which the office of the insurer falls. The complaint can also be lodged through the legal heirs of the insured.

Before lodging a complaint:

- the complainant should have made a representation to the insurer named in the complaint and the insurer has either rejected the complaint, failed to respond within a period of one month, or the customer is dissatisfied with the insurer's response; and
- the same subject of complaint should not be pending before any court, consumer forum or arbitrator.

The complaint must be made within one year of the insurer's response.

E5 Complaints resolution process

The complaints received by the Ombudsman are dealt with in the following manner:

Withdrawal/ settlement	<ul style="list-style-type: none"> It is the duty of the Ombudsman to promote a settlement by agreement between the complainant and the insurance company through mediation or conciliation. To achieve this, the Ombudsman may follow such procedures as it considers appropriate. If there is an agreement between the two parties and the issue is settled, the two parties may go ahead with it and the case may be withdrawn.
Recommendation	<ul style="list-style-type: none"> If there is no agreement or settlement between the two parties within what the Ombudsman feels to be an appropriate timeframe, then the Ombudsman may make a recommendation to what is, in his opinion, fair to both the parties. Such a recommendation shall be made no later than one month following receipt from the complainant and copies will be sent to the complainant and the insurance company concerned. The recommendation is binding on the complainant if they accept all terms of the recommendation in full and final settlement of the complaint. If the complainant accepts the recommendation they will send a communication in writing within 15 days of the date of receipt acknowledging their acceptance. If the recommendation is accepted by the complainant, then it will be binding on the insurer and it will have to fulfil its obligation.

Award	<ul style="list-style-type: none"> If there is no agreement or settlement and the recommendation is also not acceptable to the complainant, then in this case the Ombudsman will grant an award. This award will be granted within a period of three months from the receipt of the complaint. The award is binding upon the insurance company (if it is acceptable to the complainant). If the policyholder is not satisfied with the award of the Ombudsman they can approach other venues such as Consumer Forums and Courts of law for redressal of their grievances. The steady increase in the number of complaints received by various ombudsman offices shows that the policyholders are placing their confidence in the Institution of Insurance Ombudsman.
Non-acceptable/ not maintainable complaints	<ul style="list-style-type: none"> Complaints received which the Ombudsman feels are without sufficient cause or where there is no loss or damage or inconvenience suffered by the complainant may be classified as non-acceptable or non-maintainable and dismissed by the Ombudsman. The Ombudsman's powers are restricted to insurance contracts of value not exceeding Rs. 20 lakhs. Complaints will be dismissed by the Ombudsman in the following cases: <ul style="list-style-type: none"> If the complainant approaches the Ombudsman directly without first approaching the insurer and giving the insurer an opportunity to hear their complaint and attempt to resolve their grievance. If the same complaint on the subject is pending before any court, consumer forum or arbitrator. If the complaint is not within the jurisdiction of the Ombudsman.



Be aware

As per the Policyholders' Protection Regulations, when sending the policyholder's documentation each insurer must provide information of how to contact the Insurance Ombudsman pertaining to their region, in the event that they wish to lodge a complaint against their insurer.

F Grievance Redressal Cell of the IRDA

The IRDA has recently introduced the IRDA Grievance Call Centre (IGCC). The IGCC provides an additional channel for policyholders to lodge their grievances

and also check the status of their complaint over the phone/email.

**Be aware**

A complaint can be lodged by calling up the IGCC on the toll-free number 155255 or by sending an email to the IRDA at complaints@irda.gov.in

The call centre environment will interface with IGMS, once it is implemented (see section D2). The IGCC has enabled policyholders to have easy access to the Grievance Redressal Cell of the IRDA both through telephone and email, apart from providing details of the redressal systems of insurance companies whenever policyholders require them. The call centre fills out grievance registration forms on the basis of the call. The IGCC also provides a channel for tracking grievances.

The IGCC also educates policyholders about the role of the Insurance Ombudsman.

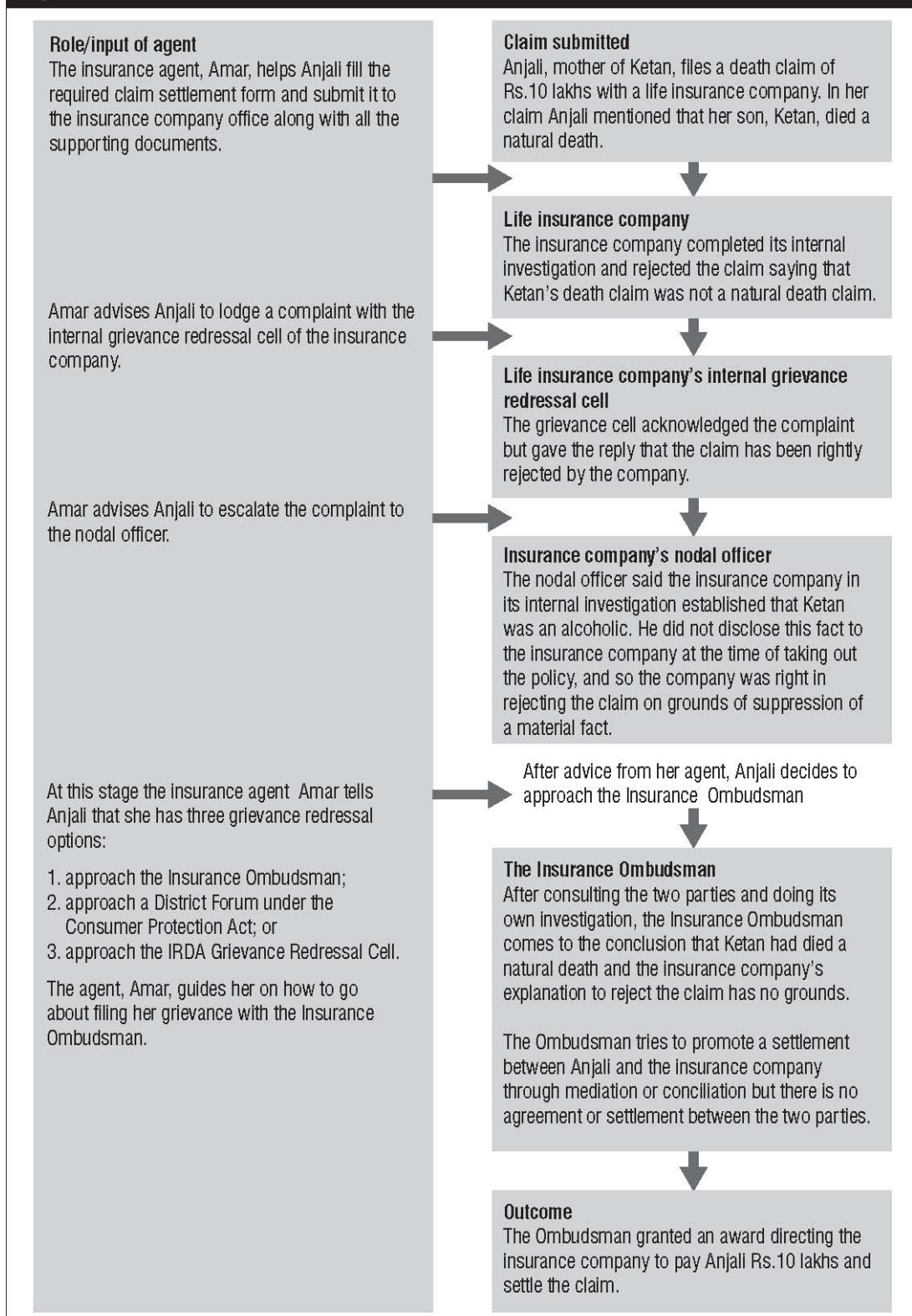
With a view to going beyond the facilitation of complaints resolution, the IRDA has begun to look into details of complaints to identify instances of violation/non-compliance of various provisions of the applicable regulations through enquiries and inspections. Wherever it is required, regulatory action is initiated by the IRDA.

The Institution of Insurance Ombudsman is also being reviewed for possible changes and expansion of jurisdiction to ensure that grievances that are not resolved by insurers and which are escalated to the Regulator and/or Ombudsman are resolved conclusively, except where they would fall necessarily within the ambit of the courts.

G A typical complaint

While each complaint is individual, the following diagram illustrates the path a typical complaint might follow if a claim is disputed by the insurance company, and highlights the role and input that might be expected of the agent at each stage in supporting their client in the process.

Figure 14.5



Question 14.2

Make a list of the different ways in which the complaints are handled/resolved by the Insurance Ombudsman.



H Renewal of licence

Now that you are nearing the end of this study text, you will have a very good understanding of how you should go about your dealings with your clients to ensure that their interests are at the forefront of your mind, and how that will contribute to your success as an agent in the longer term. If clients are satisfied they will generally renew their policies if they are financially able to do so.

As a final measure to protect customers the IRDA has drawn up guidelines that propose that the licence of an insurance agent will not be renewed if less than a specified percentage of the policies sold by them are renewed annually, as this indicates that an agent has not met the needs of his clients effectively and may be guilty of mis-selling.

In section G of chapter 15 we will return to how the IRDA goes about evaluating, monitoring and disciplining agents and insurance companies where practices have fallen short of requirements and expectations.



Question 14.3

How can a customer lodge a complaint against their insurer through the IRDA Grievance Redressal Cell?

Summary

It will now be clear to you from what has been discussed in this and earlier chapters that it is the behaviour and practices of all those engaged in the business of insurance which underpin, shape and define the industry in which you have chosen to work.

In the final chapter of this course we shall conclude by explaining the role that ethics plays in this process.



Key points

The main ideas covered by this chapter can be summarised as follows:

Importance of customer protection

Customer protection in the insurance industry is very important due to low financial literacy levels and because insurance is still not well understood by the masses in India.

Low customer protection leads to high levels of dissatisfaction which is detrimental to the growth of the entire insurance industry as a whole.

Transparency in transactions during the entire life of the policy ensures fair treatment to the customers.

IRDA (Protection of Policyholders' Interests) Regulations 2002

In October 2002 the IRDA, in consultation with the Insurance Advisory Committee, issued the regulations for protection of policyholders' interests.

The Regulations clearly specify what the prospectus of an insurance product should state.

The Regulations specify that every insurer shall have in place proper procedures and effective mechanisms to address the complaints and grievances of policyholders efficiently.

The Regulations specify exactly what should be clearly stated in the policy.

The Regulations lay down the procedures to be followed pertaining to the settlement of life insurance claims.

The Regulations specify the matters in which the insurer has to respond to the policyholder within 10 days of the receipt of any communication from its policyholders.

Role of the Insurance Ombudsman

The main objective of the Ombudsman's office is to resolve complaints relating to claims, disputes with regard to terms of policy or premium paid, and non-issue of policy documents in a cost-effective, impartial and efficient manner.

The governing body has appointed twelve Ombudsmen across the country, allotting them different geographical areas as their areas of jurisdiction.

The complaints received by the Ombudsman are handled in the following manner: withdrawal/settlement, recommendation, award, and non-acceptable complaints.

Typical complaints

Typical complaints against insurers include complaints relating to claims, policy servicing, premiums and policy lapse claims etc.

Typical complaints against insurance advisers are related to inappropriate plans being allotted, wrong term allotted and charges not being disclosed.

Handling customer complaints effectively

The Consumer Affairs Department of the IRDA oversees the compliance by insurers of the IRDA Regulations for Protection of Policyholders' Interests and aims to empower consumers by educating them about grievance redressal procedures.

To enable the effectiveness of the grievance redressal mechanisms of insurers as well as to create a central repository of industry-wide insurance grievance data, the IRDA is on the verge of implementing the Integrated Grievance Management System (IGMS).

An internal grievance redressal system of an insurer involves the following two-tier system: first registering a complaint with the helpline or the insurer's office and secondly escalating it to the nodal officer/appellate authority.

Grievance Redressal Cell of IRDA

A complaint can be lodged with the IRDA by calling up the IGCC on the toll free number 155255 or by sending an email to the IRDA at complaints@irda.gov.in

Renewal of licence

As a final measure to protect customers, the IRDA has drawn up guidelines to increase the persistency ratio of insurance agents.

The IRDA has proposed that the licence of an insurance agent be cancelled if less than a specified percentage of the



Question answers

- 14.1. A prospectus of any insurance product should clearly state:
- ? • the scope of benefits;?
 - ? • the extent of insurance cover;?
 - ? • the warranties, exceptions and conditions of the insurance cover; ?
 - ? • information in an explicit manner;?
 - ? • whether the product is participating (with-profits) or non-participating (without-profits); ?
 - ? • the premium on all the riders relating to health or critical illness, in the case of term or group products, shall ? not exceed 100% of the premium of the main policy; ?
 - ? • that the allowable rider or riders on the product will be clearly spelt out with regard to their scope of benefits, ? and under no circumstance will the premium relatable to all the other riders put together exceed 30% of the premium of the main product; and?
 - ? • the benefits arising under each of the riders shall not exceed the sum insured under the basic product.?
- 14.2. The complaints received by the Ombudsman are dealt with in the following manner:
- ? 1. withdrawal/settlement;?
 - ? 2. recommendation;?
 - ? 3. award; and
 - ? 4. non-acceptable/not maintainable.
- 14.3. A person can lodge a complaint against the insurer with the IRDA Grievance Redressal Cell by calling up the IGCC on the toll free number 155255, or by sending an email to IRDA at complaints@irda.gov.in.

Self-test questions



1.

As per the IRDA (Protection of Policyholders' Interest) Regulations what should all life insurance policies clearly state?

2.

List the cities in which the offices of the Insurance Ombudsman are located.

You will find the answers on the next page



1.

A life insurance policy shall clearly state the following:

B__

UIF_OBNF_PG_UIF_QMBO_HPWFSoJOH_UIF_QPMJDZ_JUT_UF
SNT_BOE_DPOEJUJPOT__

C__ XIFUIFS_JU_JT_QBSUJDJQBUJOH_JO_QSPmUT_PS_OPU__

c. the basis of participation in profits such as cash bonus, deferred bonus, simple or compound reversionary

CPOVT__

d. the benefits payable and the contingencies upon which these are payable and the other terms and

DPOEJUJPOT_PG_UIF_JOTVSBODF_DPOUSBDU_F__
UIF_EFUBJMT_PG_UIF_SJEFST_BUUBDIFE_UP_UIF_NBJO_QPM
JDZ_G__

UIF_EBUF_PG_DPNNFODFNFOU_PG_SJTL_BOE_UIF_EBUF_PG_
NBUVSJUJZ_PS_EBUF T

_PO_XIJDI_UIF_CFOFmUT_BSF_QBZBCMF__

g. the premiums payable, period of payment, grace period allowed for payment of the premium, the date of the last instalment of premium, the implication of discontinuing the payment of an instalment(s) of

QSFNJVN_BOE_BMTP_UIF_QSPWJTJPOT_PG_B_HVBSBOUFF
E_TVSSFOEFS_WBMVF__

I__

UIF_BHF_BU_FOUSZ_BOE_XIFUIFS_JU_IBT_CFFO_EJTDMPTEF__

i. the policy requirements for (i) conversion of the policy into a paid-up policy, (ii) surrender (iii) non-

GPSGFJUVSF_BOE__ JW
_SFWJWBM_PG_MBQTFE_QPMJDJFT__ K__

DPOUJOHFODJFT_FYDMVEFE_GSPN_UIF_TDPQF_PG_UIF_DPW

FS_CPUI_JO_SFTQFDU_PG_UIF_NBJO_QPMJDZ_BOE_UIF_SJEF
ST_

- k. the provisions for nomination, assignment, and loans on security of the policy and a statement that the rate of interest payable on such loan amount shall be as prescribed by the insurer at the time of taking the

MPBO_ M_

BOZ_TQFDJBM_DMBVTFT_PS_DPOEJUJPOT_TVDI_BT_mSTU_Q
SFHOBODZ_DMBVTF_TVJDJEF_DMBVTF_FUD_ N_
UIF_BEESFTT_PG_UIF_JOTVSFS_UP_XIJD_BMM_DPNNVOJDBU
JPOT_JO_SFTQFDU_PG_UIF_QPMJDZ_TIBMM_CF_TFOU_ BOE_

- n. the documents that are normally required to be submitted by a claimant in support of a claim under the policy.

Along with the policy document the insurer should also include information on the Insurance Ombudsman.

2.

The offices of the twelve Insurance Ombudsmen are located at:

t_ "INFBCBE_

t_ #IPQB_

t_ #IVCBOFTXBS_

t_ \$IBOEJHBSI_

t_ \$IFOOBJ_

t_ \$PDIJO_

t_ (VXBIBUJ_

t_)ZEFSBCBE_

t_ ,PMLBUB_

t_ -VDLOPX_

t_ .VNCBJ_ BOE

t_ /FX_%FMIJ_