Project On

"INSURANCE OMBUDSMAN FOR INVESTORS' PROTECTION"

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BY

TEJASHREE P. WAZE

Roll no. 10755

PARLE TILAK ASSOCIATION'S

MULUND COLLEGE OF COMMERCE,

S. N. ROAD, MULUND (WEST),

MUMBAI-400 080

Declaration

I **Miss. TEJASHREE P. WAZE,** student of B.Com – Banking & Insurance Semester VI (2011-2012) hereby declare that I have completed the project on

"INSURANCE OMBUDSMAN FOR INVESTORS' PROTECTION"

To elaborate this study more I have included Case studies.

The information submitted is true and original to the best of my knowledge.

TEJASHREE P. WAZE

(Roll No.10755)

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In preparation of this project, I feel great pleasure because it gives me extensive practical knowledge in my career. I got a clear idea about Insurance Ombudsman by completing this project.

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INSURANCE

1. WHAT IS INSURANCE?

Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Insurance involves pooling funds from *many* insured entities (known as exposures) to pay for the losses that some may incur. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. In order to be insurable, the risk insured against must meet certain characteristics in order to be an insurable risk. Insurance is a commercial enterprise and a major part of the financial services industry, but individual entities can also self-insure through saving money for possible future losses.

2. TYPES OF INSURANCE-A GLIMPSE

Any risk that can be quantified can potentially be insured. Specific kinds of risk that may give rise to claims are known as perils. An insurance policy will set out in detail which perils are covered by the policy and which are not. Below are non-exhaustive lists of the many different types of insurance that exist. A single policy may cover risks in one or more of the categories set out below. For example, vehicle insurance would typically cover both the property risk (theft or damage to the vehicle) and the liability risk (legal claims arising from an accident). A home insurance policy in the US typically includes coverage for damage to the home and the owner's belongings, certain legal claims against the owner, and even a small amount of coverage for medical expenses of guests who are injured on the owner's property.

Business insurance can take a number of different forms, such as the various kinds of professional liability insurance, also called professional indemnity (PI), which are discussed below under that name; and the business owner's policy (BOP), which packages into one policy many of the kinds of coverage that a business owner needs, in a way analogous to how homeowners' insurance packages the coverages that a homeowner needs.

Auto insurance

Auto insurance protects the policyholder against financial loss in the event of an incident involving a vehicle they own, such as in a traffic collision.

Coverage typically includes:

1. Property coverage, for damage to or theft of the car;
2. Liability coverage, for the legal responsibility to others for bodily injury or property damage;
3. Medical coverage, for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses.

Most countries, such as the United Kingdom, require drivers to buy some, but not all, of these coverages. When a car is used as collateral for a loan the lender usually requires specific coverage.

Home insurance

Home insurance provides coverage for damage or destruction of the policyholder's home. In some geographical areas, the policy may exclude certain types of risks, such as flood or earthquake, that require additional coverage. Maintenance-related issues are typically the homeowner's responsibility. The policy may include inventory, or this can be bought as a separate policy, especially for people who rent housing. In some countries, insurers offer a package which may include liability and legal responsibility for injuries and property damage caused by members of the household, including pets.

Accident, sickness and unemployment insurance

- Disability insurance policies provide financial support in the event of the policyholder becoming unable to work because of disabling illness or injury. It provides monthly support to help pay such obligations as mortgage loans and credit cards. Short-term and long-term disability policies are available to individuals, but considering the expense, long-term policies are generally obtained only by those with at least six-figure incomes, such as doctors, lawyers, etc. Short-term disability insurance covers a person for a period typically up to six months, paying a stipend each month to cover medical bills and other necessities.
- Long-term disability insurance covers an individual's expenses for the long term, up until such time as they are considered permanently disabled and thereafter. Insurance companies will often try to encourage the person back into employment in preference to and before declaring them unable to work at all and therefore totally disabled.
- Disability overhead insurance allows business owners to cover the overhead expenses of their business while they are unable to work.

- Total permanent disability insurance provides benefits when a person is permanently disabled and can no longer work in their profession, often taken as an adjunct to life insurance.
- Workers' compensation insurance replaces all or part of a worker's wages lost and accompanying medical expenses incurred because of a job-related injury.

Casualty Insurance

Casualty insurance insures against accidents, not necessarily tied to any specific property. It is a broad spectrum of insurance that a number of other types of insurance could be classified, such as auto, workers compensation, and some liability insurances.

- Crime insurance is a form of casualty insurance that covers the policyholder against losses arising from the criminal acts of third parties. For example, a company can obtain crime insurance to cover losses arising from theft or embezzlement.
- Political risk insurance is a form of casualty insurance that can be taken out by businesses with operations in countries in which there is a risk that revolution or other political conditions could result in a loss.

Life Insurance

Life insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity.

Annuities provide a stream of payments and are generally classified as insurance because they are issued by insurance companies, are regulated as insurance, and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive

his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance.

Certain life insurance contracts accumulate cash values, which may be taken by the insured if the policy is surrendered or which may be borrowed against. Some policies, such as annuities and endowment policies, are financial instruments to accumulate or liquidate wealth when it is needed.

In many countries, such as the US and the UK, the tax law provides that the interest on this cash value is not taxable under certain circumstances. This leads to widespread use of life insurance as a tax-efficient method of saving as well as protection in the event of early death.

In the US, the tax on interest income on life insurance policies and annuities is generally deferred. However, in some cases the benefit derived from tax deferral may be offset by a low return. This depends upon the insuring company, the type of policy and other variables (mortality, market return, etc.). Moreover, other income tax saving vehicles (e.g., IRAs, 401(k) plans, Roth IRAs) may be better alternatives for value accumulation.

3. WHAT IS AN OMBUDSMAN?

An **ombudsman** is a person who acts as a trusted intermediary between either the state (or elements of it) or an organization, and some internal or external constituency, while representing not only but mostly the broad scope of constituent interests. An indigenous Danish and Norwegian, and Swedish term, *Ombudsman* is etymologically rooted in the Old Norse word *umboðsmaðr*, essentially meaning "representative". In its most frequent modern usage, an ombudsman is an official, usually appointed by the government or by parliament but with a significant degree of independence, who is charged with representing the interests of the public by investigating and addressing complaints reported by individuals. Modern variations of this term include "ombud", "ombuds", "ombudsperson", or "ombudswoman".

Whether appointed by the legislature, the executive, or an organization (or, less frequently, elected by the constituency), the typical duties of an ombudsman are to investigate constituent complaints and attempt to resolve them, usually through recommendations (binding or not) or mediation. Ombudsmen sometimes also aim to identify systemic issues leading to poor service or breaches of people's rights. At the national level, most ombudsmen have a wide mandate to deal with the entire public sector, and sometimes also elements of the private sector (for example, contracted service providers). In some cases, there is a more restricted mandate, for example with particular sectors of society.

4. OMBUSDSMAN IN INDIA

The Government of India has designated several ombudsmen (sometimes called Chief Vigilance Officer or **CVO**) for the redress of grievances and complaints from individuals in the banking, insurance and other sectors being serviced by both private and public bodies and corporations. The CVC (Central Vigilance Commision) was set up on the recommendation of the Santhanam Committee (1962–64).

In India, the Ombudsman is known as the Lokpal or Lokayukta. An Administrative Reforms Commission (ARC) was set up on 5 January 1966 under the Chairmanship of Shri Morarji Desai. It recommended two-tier machinery: Lokpal at the Centre (parliamentary commissioner, as in New Zealand) and one Lokayukta each at the State level for redress of people's grievances. However, the jurisdiction of the Lokpal did not extend to the judiciary. The central Government introduced the first Lokpal Bill, Lokpal and Lokayukta Bill in 1968, and further legislation was introduced in 2005, but has so far not been enacted.

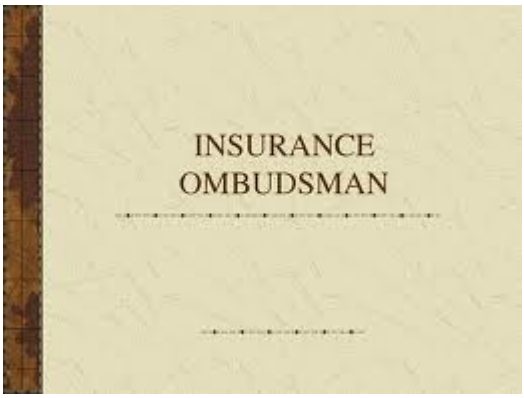
The state-level Lokayukta institution has developed gradually. Orissa was the first state to present a bill on establishment of Lokayukta in 1970, but Maharashtra was the first to establish the institution, in 1972. Other states followed: Bihar (1974), Uttar Pradesh (1977), Madhya Pradesh (1981), Andhra Pradesh (1983), Himachal Pradesh (1983), Karnataka (1984), Assam (1986), Gujarat (1988), Delhi (1995), Punjab (1996), Kerala (1998), Chhattishgarh (2002), Uttaranchal (2002), West Bengal (2003) and Haryana (2004). The structure of the Lokayukta is not uniform across all the states. Some states have Upalokayukta under the Lokayukta and in some states, the Lokayukta does not have *suo moto* powers of instigating an enquiry.

Kerala State has an Ombudsman for Local Self Government institutions like Panchayats, Municipalities and Corporations. He or she can enquire/investigate into allegations of action, inaction, corruption and maladministration. A retired Judge of the High Court is appointed by the Governor for a term of three years, under the Kerala Panchayat Raj Act.

5. FUNCTIONING OF THE OFFICES OF THE OMBUDSMAN

The institution of Insurance Ombudsman was created by a Government of India Notification dated 11th November, 1998 with the purpose of quick disposal of the grievances of the insured customers and to mitigate their problems involved in redressal of those grievances. This institution is of great importance and relevance for the protection of interests of policy holders and also in building their confidence in the system. The institution has helped to generate and sustain the faith and confidence amongst the consumers and insurers.

THE INSURANCE OMBUDSMAN



It is a Government of India's machinery for redressal of grievances of insurance consumers. Complaints of insurance consumers pertaining to repudiation, delay in settlement of claims, non-receipt of policy, disputes regarding paid or payable premium regarding their Personal line insurances like Life insurance, motor, mediclaim, householders etc can be lodged with the Insurance Ombudsman. Complaint is required to be filed in writing, No fees/charges are required to be paid, No advocate is required, Insured is necessarily required to first approach the concerned insurer. Complaint is required to be filed in the office of ombudsman in whose jurisdiction policy issuing office of insurer is located. Complaint may pertain to life or non-life and public or private insurance company. Complaint can be lodged within 1 year of rejection by insurer and it should not be pending in any civil or consumer court. Complaints of the amounts upto Rs.20 lacs 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 complaint. Award is binding on the insurer but it is not binding on the complainant/insured. There are only 12 offices of ombudsman in country. Offices of Ombudsman are located in the following cities:-

Ahemdabad, Bhopal, New Delhi, Mumbai, Chennai, Hyderabad, Bhubneshwar, Lucknow, Kolkata, Ernakulam, Guwahati, Chandigarh.

Appointment of Insurance Ombudsman

The governing body of insurance council issues orders of appointment of the insurance Ombudsman on the recommendations of the committee comprising of Chairman, IRDA, Chairman, LIC, Chairman, GIC and a representative of the Central Government. Insurance council comprises of members of the Life Insurance council and general insurance council formed under Section 40 C of the Insurance Act, 1938. The governing body of insurance council consists of representatives of insurance companies.

Eligibility

Ombudsman is drawn from Insurance Industry, Civil Services and Judicial Services.

Terms of office

An insurance Ombudsman is appointed for a term of three years or till the incumbent attains the age of sixty five years, whichever is earlier. Re-appointment is not permitted.

Territorial jurisdiction of Ombudsman

The governing body has appointed twelve Ombudsmen across the country allotting them different geographical areas as their areas of jurisdiction. The Ombudsman may hold sitting at various places within their area of jurisdiction in order to expedite disposal of complaints.

The offices of the twelve insurance Ombudsmen are located at (1) Bhopal, (2) Bhubaneswar, (3) Cochin, (4) Guwahati, (5) Chandigarh, (6) New Delhi, (7) Chennai, (8) Kolkata, (9) Ahmedabad, (10) Lucknow, (11) Mumbai, (12) Hyderabad.

Office Management

The Ombudsman has a secretarial staff provided to him by the insurance council to assist him in discharging his duties. The total expenses on Ombudsman and his staff are incurred by the insurance companies who are members of the insurance council in such proportion as may be decided by the governing body.

Removal from office

An Ombudsman may be removed from service for gross misconduct committed by him during his term of office. The governing body may appoint such person as it thinks fit to conduct enquiry in relation to misconduct of the Ombudsman. All enquiries on misconduct will be sent to Insurance Regulatory and Development Authority which may take a decision as to the proposed action to be taken against the Ombudsman. On recommendations of the IRDA, the Governing Body may terminate his services, in case he is found guilty.

Power of Ombudsman

Insurance Ombudsman has two types of functions to perform (1) conciliation, (2) Award making. 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 may relate to any grievance against the insurer i.e. (a) any partial or total repudiation of claims by the insurance companies, (b) dispute with regard to premium paid or payable in terms of the policy, (c) dispute on the legal construction of the policy wordings in case such dispute relates to claims; (d) delay in settlement of claims and (e) non-issuance of any insurance document to customers after receipt of premium.

Ombudsman's powers are restricted to insurance contracts of value

not exceeding Rs. 20 lakhs. The insurance companies are required to honor the awards passed by an Insurance Ombudsman within three months.

Manner of lodging complaint

The complaint by an aggrieved person has to be in writing, and addressed to the insurance Ombudsman of 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:

i) the complainant should have made a representation to the insurer named in the complaint and the insurer either should have rejected the complaint or the complainant have not received any reply within a period of one month after the concerned insurer has received his complaint or he is not satisfied with the reply of the insurer.
ii) The complaint is not made later than one year after the insurer had replied.
iii) The same complaint on the subject should not be pending with before any court, consumer forum or arbitrator

Recommendations of the Ombudsman

When a complaint is settled through the mediation of the Ombudsman, he shall make the recommendations which he thinks fair in the circumstances of the case. Such a recommendation shall be made not later than one month and copies of the same sent to complainant and the insurance company concerned. If the complainant accepts recommendations, he will send a communication in writing within 15 days of the date of receipt accepting the settlement.

Award

The ombudsman shall pass an award within a period of three months from the receipt of the complaint. The awards are binding upon the insurance companies.

If the policy holder is not satisfied with the award of the Ombudsman

he can approach other venues like Consumer Forums and Courts of law for redressal of his grievances.

As per the policy-holder's protection regulations, every insurer shall inform the policy holder along with the policy document in respect of the insurance Ombudsman in whose jurisdiction his office falls for the purpose of grievances redressal arising if any subsequently.

Steady increase in number of complaints received by various Ombudsman shows that the policy-holders are reposing their confidence in the institution of Insurance Ombudsman.

6. ROLE OF THIRD PARTY ADMINISTRATOR (TPA)

The Third Party Administrators are intermediaries who connect insurance companies, policyholders and health care providers. The Insurance Regulatory Development Authority (IRDA) selects the TPAs on the basis of strict professional norms.

The Insurance industry in India has experienced a sea of change since the opening up of the sector for private participation. With a plethora of companies entering the foray in the near future, the health insurance sector is surging forward and is poised for a phenomenal growth.

Health insurance is an important mechanism to finance the health care needs of the people. To manage problems arising out of increasing health care costs, the health insurance industry had assumed a new dimension of professionalism with TPAs.
Further, the uncertainty related to a medical condition increases the need for a health insurance for all the citizens.

Health insurance is any health plan that pools resources up front by converting unpredictable medical expenses into a fixed health insurance premium. It also centralizes funding decisions on health needs of a policyholder. This covers private health plans as well as mediclaim policies. While call center facilities and personalized financial planning tools are some of the innovative trends, experienced in the products front, the best thing to happen on the service front is the introduction of third party administrators as they serve as a vital link between insurance companies, policyholders and health care providers.

TPAs were introduced by the IRDA in the year 2001.The core service of a TPA is to ensure better services to policyholders. Their basic role is to function as an intermediary between the insurer and the insured and facilitate cash less service at the time of hospitalization.

A minimum capital requirement of Rs.10 million and a capping of 26% foreign equity are mandatory requirements for a TPA as spelt by the IRDA. License is usually granted for a minimum period of three years. Ideally, The TPA functions by collaborating with the hospitals in order for the patient to enjoy hospitalization services on a cashless basis.

7. IRDA Guidelines for Investors Protection

Insurance Act

The passage of the Insurance Act, 1938 and its subsequent amendments in 1950 and 1999 are serious attempts to bring order in the business of insurance in India. The Act attempted to address various issues relating to the business. Some of them are:

- **Protection of policy holder interest**
- **Limiting the expenses of insurance organizations**
- **Establishment of tariff advisory committee**
- **Solvency levels to be maintained**
- **Creation of Insurance organization**
- **Defining the roles and responsibilities of various functionaries associated with the business**

Insurance Regulatory and Development Authority Act

Profile of IRDA

Insurance Regulatory & Development Authority (IRDA) is regulatory and development authority under Government of India in order to protect the interests of the policyholders and to regulate, promote and ensure orderly growth of the insurance industry. It is basically a ten members' team comprising of a Chairman, five full time members and four part-time members, all appointed by Government of India. This organization came into being in 1999 after the bill of IRDA was passed in the Indian parliament.

The Insurance Regulatory and Development Authority (IRDA) is a national agency of the Government of India, based in Hyderabad. It was formed by an act of Indian Parliament known as IRDA Act 1999, which was amended in 2002 to incorporate some emerging requirements. Mission of IRDA as

stated in the act is "to protect the interests of the Policyholders, to regulate, promote and ensure orderly growth of the Insurance industry and for matters connected therewith or incidental thereto."

In 2010, the Government of India ruled that the Unit Linked Insurance Plans (ULIPs) will be governed by IRDA, and not the market regulator Securities and Exchange Board of India.

The passage of Insurance Regulatory and Development Authority Act in 1999 can be seen a dividing line for insurance business in India. It was an outcome of the implementation of the recommendations of a high powered committee, which suggested the setting up of a statutory body called the Insurance Regulatory Authority in 1996. This body was later renamed as Insurance regulatory and Development Authority with the passage of IRDA Act by the parliament.

Objectives of IRDA Act

- **To protect the investor's interest**
- **To promote orderly growth of insurance industry in the country, including registration of insurance companies**
- **To administer the provisions of Insurance Acts**
- **To devise control activities needed for smooth functioning of the insurance companies including investment of funds and solvency requirements to be maintained by insurance companies.**
- **To lay down the accounting methodology to be adopted**
- **To adjudicate on disputes**

Functions of IRDA

As defined by the IRDA Act, 1999, the broad functions of IRDA are as follows:

- **Ensure orderly growth of the Insurance industry**
- **Protection of policyholder's interest**
- **Issue consumer protection guidelines to insurance companies**
- **Grant, modify, and suspend license for insurance companies**
- **Lay down procedure for accounting policies to be adopted by the insurance companies**
- **Inspect and audit of insurance companies and other related agencies**
- **Regulation of capital adequacy, solvency, and prudential requirements of insurance business**
- **Regulation of product development and their pricing including free pricing of products**

- **Promote and regulate Self Regulating organizations in the insurance industry**
- **Re-insurance limit monitoring**
- **Monitor investments**
- **Vetting of accounting standards, transparency requirements in reporting**
- **Ensure the health of the industry by preventing sickness through appropriate action**
- **Publish information about the industry**
- **Prescribe qualification and training needs of agents**
- **Monitor the charges for various services provided by insurance companies**

IRDA Initiatives

Some of the initiatives of IRDA, by way of subsequent rules framed by it are:

- **IRDA's regulation stipulate that the prospectus issued by the insurer should explicitly state the scope of benefits, conditions, warranties, entitlements exceptions, and right to participate in bonus under every plan of insurance**
- **A decision on the proposal should be made by the insurer within 15 days**
- **IRDA has framed regulations regarding advertisement by insurance companies and other intermediaries. They apply to all categories and media employed**
- **IRDA can adjudicate disputes between the insurance companies and intermediaries**
- **IRDA regulation requires that every insurance company appoint an actuary**
- **IRDA regulation has laid down the following stipulations as regards settlement of claim:**
- **All the requirements needed under death claim are to be sought in one instance**
- **Admit or repudiate the claim in 30 days**
- **All investigations need to be completed in 6 months**

Section 14 of IRDA Act, 1999 lays down the duties and powers of IRDA:

- **Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.**
- **Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,**
- **issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;**
- **protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of Insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;**
- **specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;**
- **specifying the code of conduct for surveyors and loss assessors;**
- **promoting efficiency in the conduct of insurance business;**
- **promoting and regulating professional organizations connected with the insurance and re-insurance business;**
- **levying fees and other charges for carrying out the purposes of this Act;**
- **calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;**
- **control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);**
- **specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;**
- **regulating investment of funds by insurance companies;**
- **regulating maintenance of margin of solvency;**
- **adjudication of disputes between insurers and intermediaries or insurance intermediaries;**
- **supervising the functioning of the Tariff Advisory Committee;**
- **specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f);**
- **specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and**
- **exercising such other powers as may be prescribed from time to time,**

- **It issues the applicants in insurance arena, a certificate of registration as well as renewal, modification, withdrawal, suspension or cancellation of such registrations.**
- **It protects the interests of the policy holders in any insurance company in the matters related to the assignment of policy, nomination by policy holders, insurable interest, and resolution of insurance claim, submission value of policy and other terms and proposals in the contract.**
- **It also specifies obligatory credentials, code of conduct and practical instructions for mediator as well as the insurance company. Apart from this, it also defines the code of conduct for the surveyors and loss assessors involved with the insurance business.**
- **One of the major functions of IRDA includes endorsing competence in the insurance business. Apart from this, upholding and regulating professional organizations in insurance and re-insurance business is also a major duty of IRDA.**
- **IRDA is also entitled to for asking information, undertaking inspection and investigating the audit of the insurers, mediators, insurance intermediaries and other organizations related to the insurance sector.**
- **It is also concerned with the regulation of the rates, profits, provisions and conditions that may be offered by insurers in respect of general insurance business if it is not controlled or regulated by the Tariff Advisory Committee.**
- **It is also entitled to supervise the functioning of the Tariff Advisory Committee.**
- **IRDA specifies the terms and pattern in which books of accounts are to be maintained and statement of accounts shall be provided by insurers and other insurance mediators.**
- **It also regulates investment of funds by insurance companies as well as the maintenance of margin of solvency.**
- **It is also empowered to be involved in the arbitration of disagreements between insurers and intermediaries or insurance intermediaries.**
- **It is meant to specify the proportion of premium income of the insurer to finance policies.**
- **IRDA also specifies the share of life insurance business and general insurance business to be accepted by the insurer in the rural or social sector.**

8. IRDA (PROTECTION OF POLICYHOLDER'S INTERESTS)

REGULATIONS, 2002.

Insurance Consumer Grievances

There are many agencies available for redressal of grievances of insurance consumers. Grievance cell of IRDA, Insurance Ombudsman, Consumer Disputes Redressal Agencies set up under the Consumer Protection Act 1986, Director of Public Grievances under Govt. of India, are some of the important grievance redressal machineries. Further the safe guards 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

In exercise of the powers conferred by clause (zc) of sub-section (2) of section 114A of the Insurance Act, 1938 (4 of 1938) read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:

Short title and commencement

(1) These regulations may be called the Insurance Regulatory and Development Authority (Protection of Policyholders' Interests) Regulations, 2002

(2) They shall come into force on the date of their publication in the Official Gazette and shall apply to all contracts of insurance effected thereafter, except regulation 4(1) which shall come into force on 1st October, 2002.

(3) These Regulations are in addition to any other regulations made by the Authority, which may, inter alia, provide for protection of the interest of policyholders.

(4) These Regulations apply to all insurers, insurance agents, insurance intermediaries and policyholders.

Definitions

2 (1) In these regulations, unless the context otherwise requires:

(a) "Act" means the Insurance Act, 1938 (4 of 1938);

(b) "Authority" means the Insurance Regulatory and Development Authority established under the provisions of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

"Cover" means an insurance contract whether in the form of a policy or a cover note or a Certificate of Insurance or any other form prevalent in the industry to evidence the existence of an insurance contract;

"Proposal form" means a form to be filled in by the proposer for insurance, for furnishing all material information required by the insurer in respect of a risk, in order to enable the insurer to decide whether to accept or decline, to undertake the risk, and in the event of acceptance of the risk, to determine the rates, terms and conditions of a cover to be granted.

Explanation: "Material" for the purpose of these regulations shall mean and include all important, essential and relevant information in the context of underwriting the risk to be covered by the insurer.

(e) "Prospectus" means a document issued by the insurer or in its behalf to the prospective buyers of insurance, and should contain such particulars as are mentioned in Rule 11 of Insurance Rules, 1939 and includes a brochure or leaflet serving the purpose. Such a document should also specify the type and character of riders on the main product indicating the nature of benefits flowing thereupon;

(f) Words and expressions used and not defined in these regulations, but defined in the Act, or the Life Insurance Corporation Act, 1956, (31 of 1956) or the General Insurance Business (Nationalization) Act 1972 (57 of 1972), or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or the Insurance Rules, 1939 shall have the meanings respectively assigned to them in those Acts or the Rules.

3. Point of Sale

(1) Notwithstanding anything mentioned in regulation 2(e) above, a prospectus of any insurance product shall clearly state the scope of benefits, the extent of insurance cover and in an explicit manner explain the warranties, exceptions and conditions of the insurance cover and, in case of life insurance, whether the product is participating (with-profits) or non-participating (without-profits). The allowable rider or riders on the product shall be clearly spelt out with regard to their scope of benefits, and in no case, the premium relatable to all the riders put together shall exceed 30% of the premium of the main product.

Explanation: The rider or riders attached to a life policy shall bear the nature and character of the main policy, viz. participating or non-participating and accordingly the life insurer shall make provisions, etc., in its books.

(2) An insurer or its agent or other intermediary shall provide all material information in respect of a proposed cover to the prospect to enable the prospect to decide on the best cover that would be in his or her interest.

(3) Where the prospect depends upon the advice of the insurer or his agent or an insurance intermediary, such a person must advise the prospect dispassionately.

(4) Where, for any reason, the proposal and other connected papers are not filled by the prospect, a certificate may be incorporated at the end of proposal form from the prospect that the contents of the form and documents have been fully explained to him and that he has fully understood the significance of the proposed contract.

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

the Authority

the Councils that have been established under section 64C of the Act and

the recognized professional body or association of which the agent or intermediary or insurance intermediary is a member.

4. Proposal for insurance

(1) Except in cases of a marine insurance cover, where current market practices do not insist on a written proposal form, in all cases, a proposal for grant of a cover, either for life business or for general business, must

be evidenced by a written document. It is the duty of an insurer to furnish to the insured free of charge, within 30 days of the acceptance of a proposal, a copy of the proposal form

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

(3) In filling the form of proposal, the prospect is to be guided by the provisions of Section 45 of the Act. Any proposal form seeking information for grant of life cover may prominently state therein the requirements of Section 45 of the Act.

(4) Where a proposal form is not used, the insurer shall record the information obtained orally or in writing, and 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 shall rest with the insurer in respect of any information not so 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.

(5) Wherever the benefit of nomination is available to the proposer, in terms of the Act or the conditions of policy, the insurer shall draw the attention of the proposer to it and encourage the prospect to avail the facility.

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

5. Grievance redressal procedure

Every insurer shall have in place proper procedures and effective mechanism to address complaints and grievances of policyholders efficiently and with speed and the same along-with the information in respect of Insurance Ombudsman shall be communicated to the policyholder along-with the policy document and as maybe found necessary.

6. Matters to be stated in life insurance policy-

(1) A life insurance policy shall clearly state:

(a) the name of the plan governing the policy, its terms and conditions;

(b) whether it is participating in profits or not;

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

(d) the benefits payable and the contingencies upon which these are payable and the other terms and conditions of the insurance contract;

(e) the details of the riders attaching to the main policy;

(f) the date of commencement of risk and the date of maturity or date(s) on which the benefits are payable;

(g) the premiums payable, periodicity of payment, grace period allowed for payment of the premium, the date the last instalment of premium, the implication of discontinuing the payment of an instalment(s) of premium and also the provisions of a guaranteed surrender value.

(h) the age at entry and whether the same has been admitted;

(i) the policy requirements for (a) conversion of the policy into paid up policy, (b) surrender (c) non-forfeiture and (d) revival of lapsed policies;

(j) contingencies excluded from the scope of the cover, both in respect of the main policy and the riders;

(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 loan;

any special clauses or conditions, such as, first pregnancy clause, suicide clause etc.; and

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.

(2) While acting under regulation 6(1) in forwarding the policy to the insured, the insurer shall inform by the letter forwarding the policy that he has a period of 15 days from the date of receipt of the policy document to review the terms and conditions of the policy and where the insured disagrees to any of those terms or conditions, he has the option to return the policy stating the reasons for his objection, when he shall be entitled to a refund of the premium paid, subject only to a deduction of a

proportionate risk premium for the period on cover and the expenses incurred by the insurer on medical examination of the proposer and stamp duty charges.

(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.

(4) In respect of a cover, where premium charged is dependent on age, the insurer shall ensure that the age is admitted as far as possible before issuance of the policy document. In case where age has not been admitted by the time the policy is issued, the insurer shall make efforts to obtain proof of age and admit the same as soon as possible.

7. Matters to be stated in general insurance policy

(1) A general insurance policy shall clearly state:

(a) the name(s) and address(es) of the insured and of any bank(s) or any other person having financial interest in the subject matter of insurance;

(b) full description of the property or interest insured;

(c) the location or locations of the property or interest insured under the policy and, where appropriate, with respective insured values;

(d) period of Insurance;

(e) sums insured;

(f) perils covered and not covered;

(h) any franchise or deductible applicable;

(i) premium payable and where the premium is provisional subject to adjustment, the basis of adjustment of premium be stated;

(j) policy terms, conditions and warranties;

(k) action to be taken by the insured upon occurrence of a contingency likely to give rise to a claim under the policy;

(l) the obligations of the insured in relation to the subject matter of insurance upon occurrence of an event giving rise to a claim and the rights of the insurer in the circumstances;

(m) any special conditions attaching to the policy;

provision for cancellation of the policy on grounds of mis-representation, fraud, non-disclosure of material facts or non-cooperation of the insured;

the address of the insurer to which all communications in respect of the insurance contract should be sent;

the details of the riders attaching to the main policy;

proforma of any communication the insurer may seek from the policyholders to service the policy.

(2) Every insurer shall inform and keep informed periodically the insured on the requirements to be fulfilled by the insured regarding lodging of a claim arising in terms of the policy and the procedures to be followed by him to enable the insurer to settle a claim early.

8. Claims procedure in respect of a life insurance policy

(1) A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant in support of a claim.

(2) A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of additional documents, to the extent possible, shall be raised all at once and not in a piece-meal manner, within a period of 15 days of the receipt of the claim.

(3) A claim under a life policy shall be paid or be disputed giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications required. However, where the circumstances of a claim warrant an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest. Where in the opinion of the insurance company the circumstances of a claim warrant an investigation, it shall initiate and complete such investigation at the earliest, in any case not later than 6 months from the time of lodging the claim.

(4) Subject to the provisions of section 47 of the Act, where a claim is ready for payment but the payment cannot be made due to any reasons of a proper identification of the payee, the life insurer shall hold the amount for the benefit of the payee and such an amount shall earn interest at the rate

applicable to a savings bank account with a scheduled bank (effective from 30 days following the submission of all papers and information).

(5) Where there is a delay on the part of the insurer in processing a claim for a reason other than the one covered by sub-regulation (4), the life insurance company shall pay interest on the claim amount at a rate which is 2% above the bank rate prevalent at the beginning of the financial year in which the claim is reviewed by it.

9. Claim procedure in respect of a general insurance policy

(1) An insured or the claimant shall give notice to the insurer of any loss arising under contract of insurance at the earliest or within such extended time as may be allowed by the insurer. On receipt of such a communication, a general insurer shall respond immediately and give clear indication to the insured on the procedures that he should follow. In cases where a surveyor has to be appointed for assessing a loss/ claim, it shall be so done within 72 hours of the receipt of intimation from the insured.

(2) Where the insured is unable to furnish all the particulars required by the surveyor or where the surveyor does not receive the full cooperation of the insured, the insurer or the surveyor as the case may be, shall inform in writing the insured about the delay that may result in the assessment of the claim. The surveyor shall be subjected to the code of conduct laid down by the Authority while assessing the loss, and shall communicate his findings to the insurer within 30 days of his appointment with a copy of the report being furnished to the insured, if he so desires. Where, in special circumstances of the case, either due to its special and complicated nature, the surveyor shall under intimation to the insured, seek an extension from the insurer for submission of his report. In no case shall a surveyor take more than six months from the date of his appointment to furnish his report.

(3) If an insurer, on the receipt of a survey report, finds that it is incomplete in any respect, he shall require the surveyor under intimation to the insured, to furnish an additional report on certain specific issues as may be required by the insurer. Such a request may be made by the insurer within 15 days of the receipt of the original survey report.

Provided that the facility of calling for an additional report by the insurer shall not be resorted to more than once in the case of a claim.

(4) The surveyor on receipt of this communication shall furnish an additional report within three weeks of the date of receipt of communication from the insurer.

(5) On receipt of the survey report or the additional survey report, as the case may be, an insurer shall within a period of 30 days offer a settlement of the claim to the insured. If the insurer, for any reasons to be recorded in writing and communicated to the insured, decides to reject a claim under the policy, it shall do so within a period of 30 days from the receipt of the survey report or the additional survey report, as the case may be.

(6) Upon acceptance of an offer of settlement as stated in sub-regulation (5) by the insured, the payment of the amount due shall be made within 7 days from the date of acceptance of the offer by the insured. In the cases of delay in the payment, the insurer shall be liable to pay interest at a rate which is 2% above the bank rate prevalent at the beginning of the financial year in which the claim is reviewed by it.

10. Policyholders' Servicing

(1) An insurer carrying on life or general business, as the case may be, shall at all times, respond within 10 days of the receipt of any communication from its policyholders in all matters, such as:

(a) recording change of address;

(b) noting a new nomination or change of nomination under a policy;

(c) noting an assignment on the policy;

(d) providing information on the current status of a policy indicating matters, such as, accrued bonus, surrender value and entitlement to a loan;

(e) processing papers and disbursal of a loan on security of policy;

(f) issuance of duplicate policy;

(g) issuance of an endorsement under the policy; noting a change of interest or sum assured or perils insured, financial interest of a bank and other interests; and

(h) Guidance on the procedure for registering a claim and early settlement thereof.

10. COMPLAINTS IN WHICH THE OMBUDSMAN SHOULD BE APPROACHED

The following are some of the examples of the types of complaints for which Insurance Ombudsmen may be approached:

- **Any partial or total repudiation of claims by an insurer.**

- **Any dispute in regard to premium paid or payable in terms of the policy.**

- **Any dispute on the legal construction of the policies in relation to the claims.**

- **Delay in settlement of claims.**

- **Non-issue of any insurance document to customers after receipt of premium.**

The decision of the ombudsman is binding on the insurance companies but not on the insured persons, who may approach the courts, if dissatisfied.

There is also a governing body for Ombudsmen called the Governing Body of Insurance Council (GBIC), which has been set-up under the Redressal of Public Grievances Rules 1998, to look after the functioning of Insurance Ombudsman established all over India.

GBIC consists of a representative, usually a Chairman or a Managing Director from each of the insurance companies and one or more persons as Insurance Ombudsman.

11. FREQUENTLY ASKED QUESTIONS (FAQS) ABOUT THE INSURANCE OMBUDSMAN-

1) With whom is a complaint to be lodged?

A complaint is to be lodged with the Insurance Ombudsman under whose territorial jurisdiction the insurer's office falls, at the address given in "CONTACT US".

2) Does Insurance Ombudsman operate in any territorial jurisdiction?

Yes. Insurance Ombudsman operates only within the territorial limits specified in "CONTACT US"

3) How is this territorial jurisdiction to be applied to complaints?

The complaint will lie with the Insurance Ombudsman under whose territorial jurisdiction the Branch or Office of the Insurer complained against is located. However, in case of Group Insurance policies, the complaint may be lodged with the Insurance Ombudsman under whose territorial jurisdiction the place of residence of the complainant falls.

4) Who can approach Ombudsman?

Any aggrieved individual who has taken an Insurance Policy on personal lines (or if deceased, the legal heir(s) under such policy) can approach Ombudsman.

5) What is the meaning of Insurance on Personal Lines?

Insurance on personal lines means a policy taken or given in an individual capacity, e.g. life insurance, personal accident insurance, mediclaim insurance, insurance of personal property of the individual such as motor vehicle, household articles, etc.

6) What are the complaints that are entertained by the Ombudsman?

Complaints pertaining to repudiation of claims totally or partially, delay in settlement of claims, any dispute on the legal construction of the policies in so far as such disputes relate to claims, disputes regarding premiums paid / payable and non-issue of insurance documents.

7) How is the complaint to be lodged?

The Complaint is to be made in writing and may be lodged through personal approach or through post / fax / email(followed by hard copy).

8) Is there any time limit to approach the Ombudsman?

Yes. Within one year of the rejection by the insurer of the representation of the complainant or the Insurer's final reply to the representation.

9) Is there any maximum limit for the amount under dispute that can be entertained by the Ombudsman?

Yes. The maximum limit for the amount under dispute for which the Ombudsman can entertain a complaint is upto Rs. 20 lakhs.

10) Can a complainant, who has already approached Consumer Forum/court on the same subject, approach the Ombudsman?

No. Any complainant, whose complaint on the same subject matter is or was before a Court/Consumer Forum cannot approach Ombudsman.

11) What are the pre-requisite conditions in short, for lodging a complaint?

The complaint must be by an individual on a 'Personal Lines' insurance and within the terms of reference of the Insurance Ombudsman as set out under FAQ 6.

a) **A representation should stand made to the Insurance Company and either an unsatisfactory reply should have been received or the representation should stand unreplied for at least 1 month.**
b) **The complaint must be lodged within 1 year of the events mentioned in b. above**
c) **The total relief sought must be within an amount of Rs.20 lakhs.**
d) **The subject matter of the complaint should not currently be or have earlier been before a Court/Consumer Forum.**

12) Should a complainant approach the Ombudsman through a lawyer?

Not necessary, as formal court procedures are not involved.

13) Within what time shall the Ombudsman dispose off the complaint?

In case both parties agree for mediation, the Ombudsman shall give his Recommendation within 1 month, otherwise, he shall pass his Award within 3 months.

14) Can the Ombudsman award ex-gratia payment?

Yes. If the Ombudsman deems it fit in the circumstances of the case, he may award ex-gratia payment.

15) Are there any fees / charges payable for lodging a complaint?

No fees / charges are required to be paid.

16) Does the Ombudsman conduct hearings of the parties?

Yes. Wherever considered necessary, the Ombudsman will conduct hearing of both the Parties.

17) If so, can the hearings be conducted outside headquarters?

Yes. Hearings may be conducted outside headquarters, where warranted.

18) Can a complaint be lodged against a Private Insurer?

Yes. Complaints can be lodged against any Insurer both in Public Sector and Private Sector in both Life and Non-Life sectors.

19) Can a Sole-Proprietor of a business approach the Ombudsman for a complaint arising out of business interests?

No. It was clarified in 2006 that since in such cases the subject matter of insurance is a commercial interest, the insurance policy thereon cannot be deemed to fall under the definition of personal lines insurance.

20) Can Partnership Firms/Corporate Clients/Co-operative Societies/ Associations/Trusts approach Ombudsman?

No. Only individual policyholders who have taken insurance on personal lines are eligible. However, a member covered under a Master Policy or a Group Insurance (or if deceased, the legal heir) can approach the Ombudsman, provided the payment of the claim under such policy is to be made to the individual, as beneficiary.

21) Is there any appeal against a decision given by the Ombudsman?

No, as the Recommendation or Award of the Insurance Ombudsman are both subject to acceptance by the complainant in full and final settlement of the complaint. If such acceptance is not agreeable, the complainant may exercise the right to take recourse to the normal process of law against the insurance company. Further, dismissal of a complaint by the Insurance Ombudsman, does not vitiate the complainants' right to seek legal remedy against the insurers complained against, as per normal process of law.

22) Are routine administrative issues concerning agents (like non-issue of license, non-receipt of commission etc.) or employees' grievances or policy servicing matters(like transfer of policies etc.) and complaints against staff of the member companies also entertained by the Ombudsman?

No. Such matters do not fall within the terms of reference of the Ombudsman and hence are not to be referred.

23) Are copies of complaints or queries and correspondence related thereto required to be forwarded to the Office of the Governing Body of Insurance Council?

No. The Ombudsman deals directly with complaint matters.

24) Can information be sought under the Right to Information Act?

Yes, where required, information can be sought from the Public Information Officer of the concerned Ombudsman Centre in the prescribed format, forwarded together with the requisite prescribed fee. The Appellate Authority vests with a higher ranking official from the concerned Ombudsman Centre.
In the case of Governing Body of Insurance Council, information can be sought from the Public Information Officer of the Office of the Governing Body of Insurance Council in the prescribed format, forwarded together with the requisite prescribed fee. The Appellate Authority vests with the Dy. Secretary-in-charge or Dy. Secretary-General or Secretary-General (as the case may be) of the Governing Body of Insurance Council.

12. REDRESSAL OF PUBLIC GRIEVANCES RULES, 1998

MINISTRY OF FINANCE
(Department of Economic Affairs)
(Insurance Division)

NOTIFICATION
New Delhi, the 11th November, 1998

G. S. R. 670(E). – In exercise of the powers conferred by sub-section (1) of Section 114 of the Insurance Act, 1938 (4 of 1938) the Central Government hereby frames the following Rules, namely:-

1. Short title. - These Rules may be called the Redressal of Public Grievances Rules, 1998.

2. Application. - These Rules shall apply to all the insurance companies operating in general insurance business and in life insurance business.

Provided that the Central Government may exempt an insurance company from the provisions of these Rules, if it is satisfied that an insurance company has already a grievance redressal machinery which fulfills the requirements of these Rules.

3. The objects of these Rules are to resolve all complaints relating to settlement of claim on the part of insurance companies in cost effective, efficient and impartial manner.

4. Definition. - In these rules unless the context otherwise requires:-

(a) "Act" means Insurance Act, 1938.

(b) "committee" means an advisory committee referred to in Rule 19.

(c) "financial year" means period of twelve months commencing from the 1st day of April of any year and ending on 31st day of March of the succeeding year.

(d) "General Insurance Corporation of India" means a government company formed under sub-section (1) of section 9 of the General Insurance Business (Nationalisation) Act, 1972 and shall include a subsidiary company of such company.

(e) "governing body" means governing body of the Insurance Council constituted under sub-rule (1) of rule 5.

(f) "Insurance Council" means the Life Insurance Council and the General Insurance Council referred to in section 64C of the Act.

(g) "Insurance Regulatory Authority" means a body established by Government of India vide Resolution No. 17(2) / 94 Ins. V dated 23-01-1996 to monitor the orderly growth of insurance industry.

(h) "Insurance Company" means the Life Insurance Corporation of India, the General Insurance Corporation of India and any other company which has been given a license to

carry on business of life insurance or of the general insurance, as the case may be.

(i) "insured person" means an individual by whom or on whose behalf an insurance policy has been taken on personal lines.

(j) "Life Insurance Corporation of India" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956.

(k) "Personal lines' means an insurance policy taken or given in an individual capacity.

5. Governing body of Insurance Council -

(1) There shall be a Governing Body of the Insurance Council which shall consist of one representative from each of the insurance companies.

(2) The representatives of an insurance company shall ordinarily be Chairman or Managing Director or any one of the Directors of such company.

(3) The Governing body shall formulate its own procedure for conducting its business including the election of the Chairman.

Provided that the Chairman of the Life Insurance Corporation of India shall act as the first Chairman of the governing body.

6. Ombudsman –

(1) The governing body shall appoint one or more persons as ombudsman for the purpose of these rules.

(2) The Ombudsman selected may be drawn from a wider circle including those who have experience or have been exposed to the industry, civil service, administrative service, etc. in addition to those drawn from judicial service.

(3) An Ombudsman shall be appointed by the Governing Body from a panel prepared by the Committee consisting of –

(a) Chairman of Insurance Regulatory Authority - Chairman.
(b) Two representatives of Insurance Council including one each from the Life Insurance Business and from General Insurance Business respectively - Member.
(c) One representative of the Central Government - Member.

7. Term of Office –

An Ombudsman shall be appointed for a term of three years and shall be eligible for re-appointment. Provided that no person shall hold office as such Ombudsman after he has attained the age of 65 years. (According to the amendment dt. 21.6.99, provision of reappointment has been cancelled).

8. Removal from Office –

(1) An Ombudsman may be removed from service for gross misconduct committed by him during his term of office.

(2) The Governing Body may appoint such person as it thinks fit to conduct enquiry in relation to misconduct of the Ombudsman.

(3) All enquiries on misconduct will be sent to Insurance Regulatory Authority which may take a decision as to the proposed action to be taken against the Ombudsman.

(4) On recommendations of the Insurance Regulatory Authority if the Governing Body is of opinion that the Ombudsman is guilty of misconduct, it may terminate his services.

9. Remuneration etc. of Ombudsman –

(1) There shall be paid to Ombudsman a salary which is equal to the salary of the Judge of a High Court. (This has been changed as per amendment dt. 21.6.99)

(2) The other allowances and perquisites of the Ombudsman shall be such as may be specified by the Central Government.

10. Territorial Jurisdiction of Ombudsman –

(1) The office of the Ombudsman shall be located at such place as may be specified by the Insurance Council from time to time.

(2) The Governing Body shall specify the territorial jurisdiction of each Ombudsman.

(3) The Ombudsman may hold sitting at various places within his area of jurisdiction in order to expedite disposal of complaints.

11. Staff –

(1) The Ombudsman shall have such secretarial staff as may be provided to him by the insurance Council after having consultation with the Ombudsman.

(2) The ombudsman may engage the services of professional expert with a view to assist him in discharging his functions.

(3) The salary, allowances and perquisites payable to Ombudsman, the salary, allowances and other benefits payable to the staff of the secretariat and all expenses incurred for the purposes of these rules shall be borne by the Insurance council.

(4) The Ombudsman shall prepare the budget indicating the requirement of funds before the beginning of every financial year.

(5) The budget of the office of Ombudsman will be sent to the Governing Body.

(6) The Governing Body will finalise the budget in consultation with the Ombudsman and shall allocate the funds to the office of Ombudsman.

(7) The total expenses on Ombudsman and his staff shall be incurred by the insurance companies who are members of the insurance council in such proportion as may be decided by the Governing Body from time to time. Provided that till a decision is taken by the Governing Body, the entire expenditure shall be shared equally between the insurance

companies in the life insurance business and general insurance business in equal proportion.

(8) The share of expenditure which is to be incurred by each insurance company shall be in the ratio of premium income for the previous year of such company.

Explanation:- For the purpose of this sub-rule "premium income" means the gross direct premium income of the insurer without taking into account from time to time income on reinsurance accepted by the insurance company.

12. Power of Ombudsman :-

(1) The Ombudsman may receive and consider :-

(a) Complaints under rule 13;

(b) any partial or total repudiation of claims by an insurer;

(c) any dispute in regard to premium paid or payable in terms of the policy;

(d) any dispute on the legal construction of the policies in so far as such disputes relate to claims;

(e) delay in settlement of claims;

(f) non-issue of any insurance document to customers after receipt of premium.

(2) The Ombudsman shall act as counselor and mediator in matters which are within his terms of reference and, if requested to do so in writing by mutual agreement by the insured person and insurance company.

(3) The Ombudsman's decision whether the complaint is fit and proper for being considered by it or not shall be final.

13. Manner in which complaint is to be made:-

(1) Any person who has a grievance against an insurer, may himself or through his legal heirs make a complaint in writing to the Ombudsman within whose jurisdiction the branch or office of the insurer complaint against is located.

(2) The complaint shall be in writing duly signed by the complainant or through his legal heirs and shall state clearly the name and address of the complainant, the name of the branch or office of the insurer against which the complaint is made, the fact giving rise to complaint supported by documents, if any, relied on by the complainant, the nature and extent of the loss caused to the complainant and the relief sought from the Ombudsman.

(3) No complaint to the Ombudsman shall lie unless:-

(a) the complainants had before making a complaint to the Ombudsman made a written representation to the insurer named in the complaint and either insurer had rejected the complaint or the complainant had not received any reply within a period of one month after the insurer concerned received his representation or the complainant is not satisfied with the reply given to him by the insurer.

(b) the complaint is made not later than one year after the insurer had rejected the representation or sent his final reply on the representation of the complainant; and

(c) the complaint is not on the same subject matter, for which any proceedings before any court, or Consumer Forum, or arbitrator is pending or were so earlier.

14. Ombudsman to act fairly and equitably:

(1) The Ombudsman may, if he deems fit, adopt a procedure other than mentioned in sub-rule (1) and (2) of Rule 13 for dealing with a claim: Provided that the Ombudsman may ask the parties for necessary papers in support of their respective claims and where he considers necessary, he may collect factual information available with the insurance company.

(2) The Ombudsman shall dispose of a complaint fairly and equitably.

15. Recommendations made by the Ombudsman:

(1) When a complaint is settled, through mediation of the Ombudsman, undertaken by him in pursuance of request made in writing by complainant and insurer through mutual agreement, the Ombudsman shall make a recommendation which he thinks fair in the circumstances of the case. The copies of the recommendation shall be sent to the complainant and the insurance company concerned. Such recommendation shall be made not later than one month from the date of the receipt of the complaint.

(2) If a complainant accepts the recommendation of the Ombudsman, he will sent a communication in writing within 15 days of the date of receipt of the recommendation. He will confirm his acceptance to Ombudsman and state clearly that the settlement reached is acceptable to him, in totally, in terms of recommendations made by the Ombudsman in full and final settlement of complaint.

(3) The Ombudsman shall sent to the insurance company a copy of the recommendation along with the acceptance letter received from the complainant. The insurer shall thereupon comply with the terms of the recommendations immediately not later than 15 days of the receipt of such recommendation and the insurer shall inform the Ombudsman of its compliance.

16. Award:

(1) Where the complaint is not settled by agreement under Rule 15, the Ombudsman shall pass an award which he thinks fair in the facts and circumstances of a claim.

(2) An award shall be in writing and shall state the amount awarded to the complainant: Provided that Ombudsman shall not award any compensation in excess of which is necessary to cover the loss suffered by the complainant as a direct consequence of the

insured peril, or for an amount not exceeding rupees twenty lakhs (including ex-gratia and other expenses), whichever is lower.

(3) The Ombudsman shall pass an award within a period of three months from the receipt of the complaint.

(4) A copy of the award shall be sent to the complainant and the insurer named in the complaint.

(5) The complainant shall furnish to the insurer within a period of one month from the date of receipt of the award, a letter of acceptance that the award is in full and final settlement of his claim.

(6) The insurer shall comply with the award within 15 days of the receipt of the acceptance letter under sub-rule (5) and it shall intimate the compliance to the Ombudsman.

17. Consequences of non-acceptance of award: If the complainant does not intimate the acceptance under sub-rule (5) of rule 16, the award may not be implemented by the insurance company.

18. Power to make Ex-gratia payment.: If the Ombudsman deems fit, he may award an Ex-gratia payment.

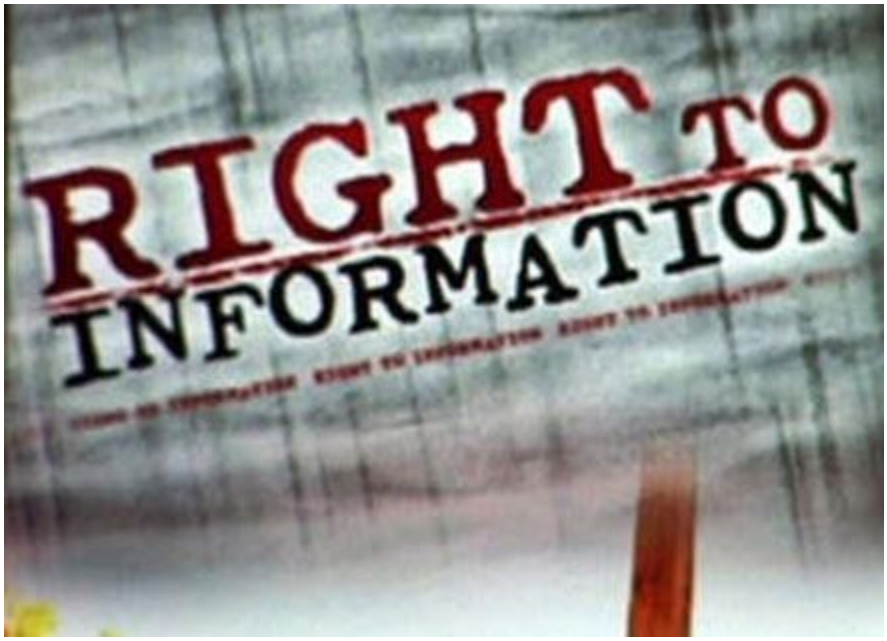
MISCELLANEOUS PROVISIONS:

19. Advisory Committee: An Advisory Committee consisting of not exceeding five eminent persons shall be notified by the Government to assist the Insurance Regulatory Authority to review the performance of the Ombudsman from time to time. The Insurance Regulatory Authority shall decide the time, venue and quorum of such meeting. The authority, after discussing the matter with the Governing Body, may recommend to Government appropriate proposals for effecting improvements in the functioning of Ombudsman. In the light of recommendations made by the Insurance regulatory Authority, the Government may carry out such amendments to these rules as they may deem fit.

20. The Ombudsman shall furnish a report every year containing a general review of the activities of the office of the Ombudsman during preceding financial year to the Central Government and such other information as may be considered necessary by it. In the Annual Report, the Ombudsman will make an annual review of the quality of services rendered by the insurer and make recommendations to improve these services.

21. Recommendation of the Insurance Council: The Insurance Council may suggest to the Ombudsman such recommendation as it deems fit and which in its opinion will enhance the utility of the annual report and also so that the objectives of the rules are clearly analyzed in terms of the activities in the year under review. Suggestions for long term improvement of insurance sector will be incorporated by the Ombudsman in his report.

13. RIGHT TO INFORMATION ACT, 2005- WITH REFERENCE TO RTI ABOUT INSURANCE



The Government of India has enacted the Right to Information Act, 2005 which has come into effect from October 13, 2005. The Right to Information under this Act is meant to give to the citizens of India access to information under control of public authorities to promote transparency and accountability in these organisations. The Act, under Sections 8 and 9, provides for certain categories of information to be exempt from disclosure. The Act also provides for appointment of a Chief Public Information Officer to deal with requests for information.

IRDA's Obligation under the Act

The Insurance Regulatory and Development Authority (IRDA) is a public authority as defined in the Right to Information Act, 2005. As such, the Insurance Regulatory and Development Authority is obliged to provide information to members of public in accordance with the provisions of the said Act.

Access to the Information held by IRDA

The right to information includes access to the information which is held by or under the control of any public authority and includes the right to inspect the work, document, records, taking notes, extracts or certified copies of documents / records and certified samples of the materials and obtaining information which is also stored in electronic form.

IRDA Website

The IRDA maintains an active website. The site is updated regularly and all the information released by the IRDA is also simultaneously made available on the website. The information published in public domain include the following:

1. Acts/Regulations
2. Information relating to Insurers/Reinsurers, Agents Training Institutes, Appointed Actuaries.
3. Information relating to Surveyors, Third Party Administrators, Insurance Brokers, Corporate Agents
4. Information relating to Insurance Councils, Insurance Ombudsmen
5. Annual Report / IRDA Journal
6. Press Releases.

Complaints against Insurance Companies

IRDA has provided for a separate channel for lodging complaints against deficiency of services rendered by Insurance Companies. If you have a complaint/grievance against an insurance company for poor quality of service rendered by any of its offices/branches, please approach the Nodal Officer of the Insurance Company concerned. In case you are not satisfied with the Insurance Company's response you may also file a complaint with the Insurance Ombudsman in your State. The Insurance Ombudsman is an independent office to provide speedy and cost effective resolution of grievances to the customers..

Complaints from Policyholders

Policyholders who have complaints against insurers are required to first approach the Grievance/Customer Complaints Cell of the concerned insurer. If they do not receive a response from insurer(s) within a reasonable period of time or are dissatisfied with the response of the company, they may approach the Grievance Cell of the IRDA

Making an Application under the Right to Information Act, 2005

Citizens of India will have to make the request for information in writing, clearly specifying the information sought under the Right to Information Act, 2005. The application for request should give the contact details (postal address, telephone number, fax number, email address) so that the applicants can be contacted for clarifications or for further information. As per the Act, information can be furnished only to citizens of India but not to others.

How do I send my application?

As per the Right to Information (Regulation of Fee and Cost) Rules, 2005 prescribed by the Government of India: a request for obtaining information under Section 6(1) of RIA needs to be accompanied by an application fee of Rs.10 by way of cash against proper receipt or by DD or bankers' cheque.

You could send your request by post accompanied by the application fee of Rs.10/- payable by demand draft or bankers' cheque favouring Insurance Regulatory and Development Authority. The fee can also be paid in cash along with the application. Applications can also be made over fax or email. IRDA will take up the application for consideration, as required under the Act, only after the application fee has been received.

14. CASE STUDIES

1 HDFC LIFE CHEATING ITS INVESTORS

With Great grief, agony and sorrow I am writing this mail for taking a severe legal action against HDFC Life for misleading, cheating and looting my money via their Evil(Saving assurance plan: policy12718110) policy schemes .One of their stupid agent came to my office RS Software kolkata 3 years back, advise me to up this policy12718110 for tax savings and other investment benefits .As i was only interested in short term investment plan , so he requested me to take up this policy in which I have(RS-24000 each) to pay premiums for 3 years and after that can withdraw the net amount with good returns and other benefits. He told that after making payment of 3 premiums can withdraw the money and if i wish then can continue for long term as well.
Today when i went to HDFC life office of salt lake branch Kolkata after making payment at 3 consecutive years of RS-24,000 each, it came to as surprise and shocked that even I wont be getting Principal amount as return on my investment .CSR of HDFC life told me that this policy can't be surrender as its some kind of bullshit traditional scheme in which I have to keep paying premium till 2019,else I will suffer a loss. He told that the locking period is for 3 years which i have already completed and if i want to surrender this now then I have to go Dalhousie Office and wont be getting even my net invested amount.

As these guys freely doing such crime of fraud and looting money from their investors with great confidence by taking full advantage of this lawless corrupt country. Today with great grim I felt that this country is absolutely Lawless which still allowing them to keep going with their fraud businesses to loot and provide mental sufferings to the common consumers and no one is even acting against them from law .Please help on this as I must need to take a strict legal action against them for misleading, cheating and looting me without any reason..

Please act and help on this to fight against the HDFC Life which has given me so much mental suffering and agony with their evil policy schemes.

2 BAJAJ ALLIANZ FRAUD

I bought a life insurance policy (policy no. 0182277124) from bajaj allianz on & rs 15000 paid by cash for this policy. That time company's executive told me that you can claim the amount after one year from the date of purchase.
And now company asks me to give two more installments for next 2 year and policy will be mature only after minimum 3 years with three installments of 15000 rs each year.
And company is not ready for payment & ignoring to put that policy in process

3 KOTAK MAHINDRA POLICY FORECLOSURE SCAM

I'm really worried and sincerely I have doubt about Kotak Mahindra policy, Look Like it's another scam in Indian society. one more thing Kotak Mahindra staff Branch office Agra are very rude and not response properly.
I am living abroad and came to India in 2007, a Kotak Mahindra agent got my information from other sources, I don't know how they got my information and came to my home, they convinced me several time to purchase Kotak Mahindra policy, they shown me some brochures and promised to get interest of invested amount up to 40-50% after 3 years, I saw those document and got trapped, after few days I returned to my residence country and when I tried to contact K.M Agent, I heard they left the Job and after that no information and nothing, after one year, when I got policy value I was shocked it was only 155,000 Rs, However I paid 250,000 Rs for 3 policy, when I search on internet, I found lot of investors cursing and abusing Kotak Mahindra, after that I understand this agent cheated me and thought, it's not worthy to renew this policy again. but finally I did for 2 policy and rest one policy of 100,000 rs I forget or you can say I missed, when after 4 years I tried to check the policy value again, there was nothing…I contacted them again but they refused to renew the policy of 100,000 rs. they given me an email ID kli.grievance@kotak.com to contact, and I send several emails but no response and nothing Just I got auto respond. Please suggest me, what should I do? they are doing this fraud business on regular basis and no control and nothing?

4. WRONG POLICY ISSUED TO A SENIOR CITIZEN

My mother Mrs Savita Mohan was offered a bank account with Bank Of Punjab,Galleria branch,DLF ph 4,Gurgaon with a promise to get all facilites offered including a relationship manager and a facility to get all transactions done at the doorstep.The condition was to either to maintain a FD else to have a AVIVA policy with 50000 premium to be paid over three consecutive years. After that she would be entitled a double sum on withdrawal basis. Also a sum of 300000rs (3 lacks) assured to the next of kin in case of death.
The bank manger visited our place and assured her the above. My mother paid the premiums of 50000rs for three installments. Meanwhile the Bank of punjab merged with HDFC bank and we were not left with any clues.
After receiving a call fo the 4th installment, while my mother was expecting the full amount of her hard earned money, we came to know that she
was mislead and the last day of payment was 08th aug 2032.
On asking for a withdrawal only an amount of 55000rs was told. The rest to be deducted as per company's terms and condition..
How can a company sell a policy in the year 2007 to a 59 yr old lady which matures in the year 2032…?

5. FRAUD BY KOTAK LIFE INSURANCE

A few years back Kotak's employee came to my place to convey me about Kotak's Life Insurance plan.

At that time Kotak's employee (Amit Parikh) told me that policy term is for three years and after three years I could withdraw from that policy with full payment based on market/policy performance.

For third years installment cheque Kotak's another employee(Hiren Agnihotri) came to my place and got my sign on one paper, when I asked him he told me that it is important to sign on that paper as my third year is over now,

But after one year when I checked my bank account I came to know that amount of 20000 has been taken away by Kotak without informing me, when I complained about this to Kotak then then told me that as I had signed on ECS form, it happened, I got into detail of this issue and came to know that his employee got my sign on ECS form when he came to my place to collect third year installment cheque, well I had no idea about what is ECS as I have just bank account and nothing else that through which I could get to know about ECS…

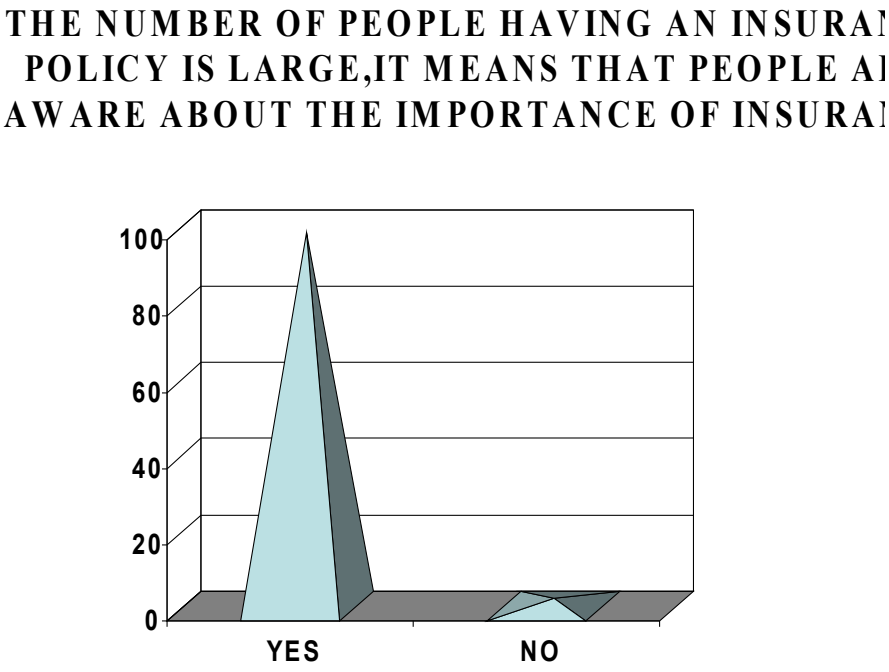
Moreover, at the same time I complained to Kotak's customer service they updated me that I could only withdraw my full amount from that policy after 20 years which was not informed by his employee when I purchased kotak's policy or Kotak's employee updated me false about three years term…

this way Kotak does fraud to Indians and making money by any means.

Please help to solve this as Kotak's people are not willing to hear on this.

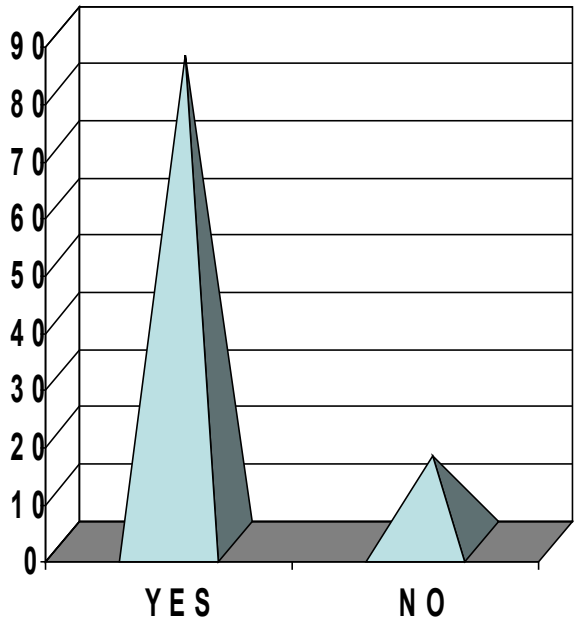
16. DATA ANAYSIS AND INTERPRETATION

A sample size of 50 people were surveyed to find about the awareness of the insurance ombudsman and about the procedure for the resolution of the complaint by the ombudsman.



From the graph, it is seen that almost all people 98% are aware about the insurance and have insurance cover (policy).Only few people are not having insurance policies.

M A N Y P E O P L E S E E M T O H A V E C O M
T H E I N S U R A N C E P O L I C I E S T H E Y



The consumers who have an insurance policy have certain complaints about the insurance. Almost 85% people have reported that they have complaints about the insurance they have taken.

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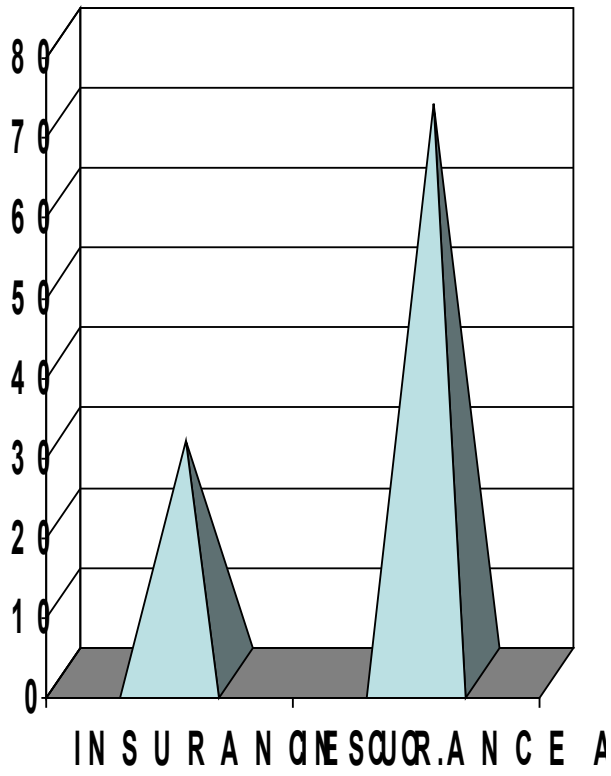
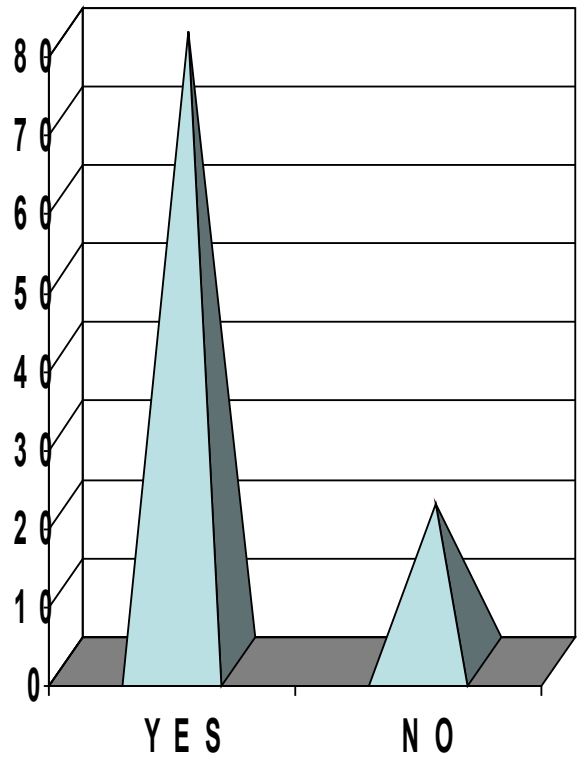
I N S U R A N C E C O . A N D T H E I



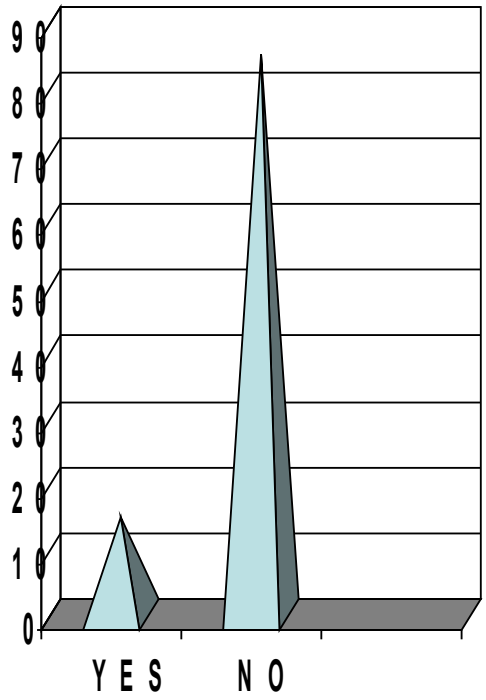
From the above graph, it is clear that almost 72% people have complaints with the insurance agents ,and almost 22% feel cheated by the insurance company.

I T I S S E E N T H A T M A N Y P E O P
T H E I N S U R A N C E O M B U D S M

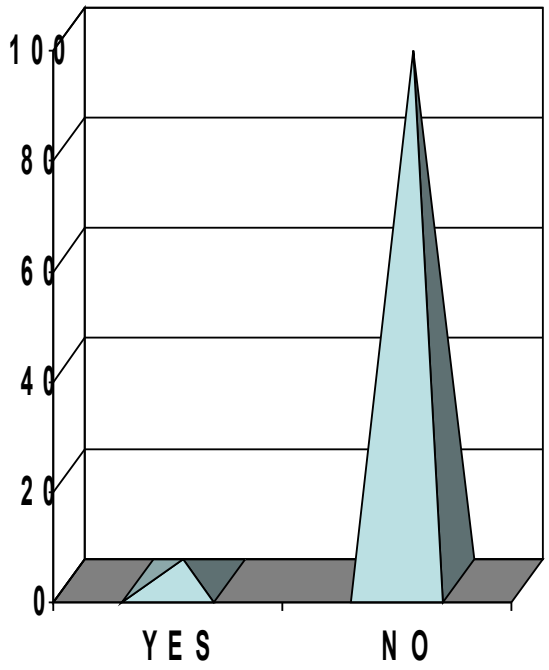


From the above graph, it is clear that 80% of people are aware of the Insurance Ombudsman Scheme.

O U T O F T H E P E O P L E W H O
O M B U D S M A N A N D H A V E (
D O P R E F E R T O A P P R O A C

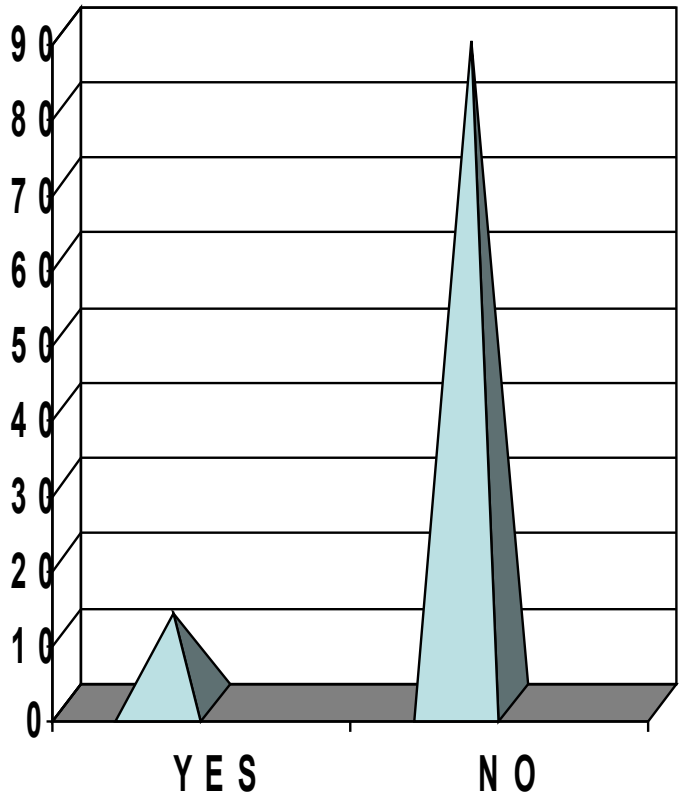


The above graph displays that the number of people approaching the Insurance Ombudsman is very few, 15%.



From the above graph, the poor functioning of the Insurance Ombudsman is seen. Almost 96% people are dissatisfied about the procedure of the Redressal for the grievances of the investors.

ONLY A FEW PEOPLE ARE SA
DECISION OF THE OMBU



Almost 90% investors who approached the Insurance Ombudsman are not satisfied with the decision announced, because of the time consuming procedures and also corruption.

CONCLUSION

The insurance ombudsman scheme introduced by the Insurance Regulatory and development authority of India is very useful for the redressal of grievances of the investors.

But according to the survey, it is found that many people are not aware about the Insurance Ombudsman. Out of those who are aware, there are very few who approach the Ombudsman for their complaint resolution.

The procedure for the complaint solving is lengthy, time consuming and not up to the mark.

Currently, the situation is also worse. The lawyers have to be bribed for speeding up the procedure and also not many times is the decision found satisfactory.

ANNEXURE

1. **Do you have an Insurance Policy?**
2. **Do you have any complaint about the Insurance taken?**
3. **Who is the complaint about-the insurance company or the insurance agent?**
4. **Are you aware about the Insurance Ombudsman?**
5. **Have you approached the Insurance Ombudsman regarding the complaint?**
6. **Do you feel the procedure is efficient and timely?**
7. **Are you satisfied about the decision announced by the Insurance Ombudsman?**