

**Seminar on Responsibilities and Rights of Consumers, Insurers
and the Regulators in Life Insurance**

29.7.2009

A one day seminar on the above theme was organized by the Consumers Association of India in association with the Insurance Regulatory and Development Authority at Chennai on the 29th July 2009. The seminar was attended in large numbers by the delegates from the insurance companies, consumers, press, friends and invitees. It was inaugurated by Sri J. Hari Narayan, I.A.S (Retd), Chairman, IRDA, Sri T.Thomas Mathew, Managing Director, LIC delivered a special address. Sri R.Desikan, Founder Trustee of the CAI welcomed the gathering and Mrs.Nirmala Desikan, Trustee coordinated the deliberations of the seminar.

In his welcome address, Sri Desikan mentioned that this was the 22nd seminar in the series under the theme and the first one on insurance. He indicated that two more on insurance are likely to follow one on Health Insurance and other on Motor Insurance. He stated that transparency is very important in life insurance and the companies should avoid raising a fortress wall around them and their executives, citing his difficult experience in getting in touch with them over telephone. The companies, he said, need to be people friendly lest the customers more away from them.

In his inaugural address the Chairman IRDA stated that the Regulator was committed to focus serious attention on matters of consumer interest and to work with Consumers Associations and the Ministry of Consumer Affairs to ensure customer satisfaction. He stated that the insurance companies and the IRDA have a great responsibility towards achieving this objective and a system to track the grievances through suitable software. Such a software would be shortly in place. The IRDA, he said, was also working on a plan to widen the realm of disclosures of the companies to the Regulator and the public. He also stated that the Regulator was working on Corporate Governance Regulations and that recently steps have been taken to cap the charges on ULIPs. Stressing the need for clothing the terms and conditions of insurance policies in plain language, he stated that the words are not weapons and the insurers need to select policies, which sell most and demystify them as early as possible. He also referred to a year long programme proposed to be launched by the IRDA for consumer education and that the Consumers Association of India should also make the policy holders aware of their duties. He said he was looking forward to the results. He wished the seminar success.

Sri Thomas Mathew, Managing Director, LIC, in his special address, referred to the rising consumer expectations and stated that the Consumer Protection Act, the IRDA Regulations on Policy holders' protection and the Institution of Ombudsman must work for the redressal of grievances of the policy holders. Referring to the claim settlement operation of LIC he stated that more than 1.5 crores claims had been settled last year for over Rs. 38,000 crores and the ratio

of outstanding claims on the whole was only 0.26% while the rates of outstanding death claims was 2.21%. He stated that in view of hundreds of products being sold in the market, the consumer is likely to be confused and therefore he has a right to be informed about the product in simple language, the right to be told about the exclusions and also the right to know the benchmarks for various operations, not to speak of the right to be informed in the language of his choice. He referred to the programme on the TV in the CNBC channel where the consumers could interact with the officials of the LIC and get information and clarification desired by them. He wanted the insurers to be listening companies and train intermediaries for ensuring proper delivery. Citing an anecdote from Dr.Einstein's life, he mentioned that the concerns of the consumers will continue to be in place but solutions have to be provided differently in the ever changing scenario. He also made a mention of the Help Book, containing information on matters relating to service and grievance redressal, brought out by LIC to be sent to the policyholders along with the policies.

The Business session was preceded by a survey on Consumer Concerns and Satisfaction, conducted by the students of the Institute of Technology and Management, Chennai. The team comprised of Ms.Poorna Sridharan, Mr.Prashant Krishnaswamy, Mr.Rajmohan, Ms.Sandhya Harisankar, Mr.Swaminathan Sridhar and Mr.S.A.Vijay Padmaraja. Although the survey was small, it did not fail to bring out the results beautifully. Some of the interesting findings were, that nearly 65% of the policyholders had taken insurance for

reasons other than risk coverage there needs to be transparency, at the time of selling insurance. Another comment was that the agent should work for client benefit rather than for commission earnings. As regards service experience at various points of time, the survey indicated satisfaction level at 71% and above. The reasons for not taking insurance included insufficient income and possession of other insurance policies and mediclaim policies. The survey also brought out that there was lack of awareness about insurance and the responses indicated that nearly 13% had no insurance cover. The survey evoked good number of questions from the participants. The Chairman, IRDA stated that irrespective of the feeling of inadequacy of the responses, and sector wise results, the fact remained that the dissatisfaction level is still remaining around 30%. This should be a matter of concern for the insurance companies.

Responding to one of the comments made in the survey that a booklet for technologies in insurance could be brought out, Mrs.Nirmala Desikan said that the CAI is prepared to take up the assignment with the cooperation of the companies.

The first session on Problems in Buying Life Insurance had four speakers on the panel. Sri C.M.Jayaraman, Consumer Activist, cited a few shortcomings, which the insuring public came across such as lack of professionalism of the agents, non issue of reminders for renewal premium payments, very small font size of the policies, and non payment of interest on delayed claim payments. He suggested

that open house grievance redressal meetings may be organized by the insurance companies and a non-negotiable copy of the policy may be sent to the policyholder, retaining the original with the company, to avoid any difficulty at the time of claim.

Sri Abhay Johorey, COO, Aviva Life Insurance Company highlighted five gaps in life insurance selling and buying, including lack of market research to know the customer's choice, wrong service and absence of quality standards, promise not matching delivery and different aspiration of the consumers. Sri G.V.Ramana, Vice President, Star Dai Ichi Insurance Company listed out lack of awareness of products, not feeling the need for insurance, complex documents, and people remaining satisfied with low insurance cover as some of the problems in buying insurance. He suggested training of intermediaries and higher tax benefits for insurance premium.

Sri C.L.Baradhwaj, Vice President (Compliance) Bharti - AXA Life Insurance Company, cited absence of vernacular proposals and mis-selling of products. He also gave an account of the scheme of insurance ombudsman and non disclosure of material facts. He stated that the customer's understanding about implications of non disclosure was low. The participants raised many questions to the panelists which were responded to. The Chairman IRDA mentioned that there was no concept of pre-existing disease in other countries, while granting insurance, but the cost of such insurance would be very high. Even for suicide, the amount was paid. He, however, stated that this would not be implemented in

India now, in the given circumstances. Sri Desikan suggested that the name of the family doctor should be mentioned in the proposal form by the proposer at the time of buying insurance, whose report could be relied upon at the time of claim.

In the session on Rights and Obligations of consumers Sri Mohammed Ali, Senior Agent, cited a few circumstances leading to customer grievances such as, no reason furnished for rejection of insurance, cover policy document not being issued and qualified underwriters not being utilized. Sri T.N.Adinathan, DGM, Bank of Baroda, Chennai stated that the consumer was entitled to product details and has the right to information. He should know the financial stability before selecting an insurance company for his cover. He, however, stated that the consumer should understand the policy, before buying and the insurance companies should train the sellers adequately. Ms. Saroja, Legal Coordinator, Citizen Action Group, Chennai drew the attention of the participants to a few regulations and instructions of the IRDA on the rights and responsibilities of the consumer. She stated that the proposal papers should be filled up by the consumer and specified time limit should be followed by the companies for settlement of claims. She also stated that interest on delayed claim settlement should be paid without demand. She suggested that action against the agents for mis-selling should be taken but it is the responsibility of consumer to ensure that it is properly filled up, while signing the proposal. Owing to paucity of time,

the participants were advised that more questions, if any will be answered later individually and separately.

The next session on Claim Settlement and Grievance Redressal had three speakers on the panel, Sri K.Sridhar, Former Managing Director of LIC and Insurance Ombudsman, Sri Sunder Krishnan, CRO, Reliance Life Insurance Company and Prof. Ashok R Patil, National Law School, Bengaluru. Sri Sridhar stated that the companies justify claim repudiations on law points, oblivious to the trauma undergone by the hapless widows for no fault of theirs. He also cited a few cases on which awards were pronounced by Ombudsman in favour of the clients, including a case where the insurance company repudiated a death claim on the ground that the policyholder had suffered from an ailment 25 years ago. He brought to the notice of the participants that even physical deformity sometimes was not being reported by the medical examiners and the investigations conducted by the insurance companies were not foolproof. Sri Sunder Krishnan mentioned that it is his company's philosophy to try not to repudiate but pay the claim. They are also for fast settlement of claims and a grievance redressal committee is in place in the company to look into the grievances of the policyholders. Portals, IVR, etc., have reduced the number of complaints. Professor Patil dealt with the proposed amendment to Section 45 of the Insurance Act, wherein it is proposed that no policy can be called and questioned for fraud after five years and any repudiation before expiry of five years for reasons other than fraud, would entitle the claimant to refund of

premium, if the non disclosure was not intentional. As per the proposed amendment, if the agent was aware of the ailment of the policyholder before selling the policy, it would be taken that the company was aware of it. The question whether these amendments would be consumer friendly or not was left for the consideration of the house.

In the last session on Plain Language in Insurance Policies, Sri R.Radhakrishnan, Regional Manager, HDFC Standard Life, Sri R.Desikan, Founder Trustee of CAI and Sri U.Jawaharlal, Editor – IRDA Journal made presentations. Sri Radhakrishnan mentioned the need for plain language so that the policyholder can understand the terms and conditions and act on them. Plain Language simplifies the communication process and reduces the chances of error in understanding. There is need to involve all the stakeholders and the Regulator, for bringing out guidelines in this regard. Sri Jawaharlal stated that the insurance contract requires reciprocal obligations and therefore necessitated openness. The policyholder should be encouraged to read the policy terms and the free look period, serves this purpose. It is therefore necessary to simplify the clauses and exclusions in the policy terms and conditions. Otherwise, as per the principle of contra proferentum, in case of any ambiguity the interpretation will go in favour of the policyholder. Sri Desikan drew the attention of the participants to some Plain English alternatives to difficult words furnished in the seminar kit and said that plain English places a person in a comfort zone. Product disclosure statements and offer documents need to be in plain language. He stated that

plain language is one, that makes people understand the contents at the very first reading. He displayed a preamble from an LIC policy containing 198 words and demonstrated the need for plain language in Insurance Policies, as no one would understand such clauses and terms. He also offered that CAI would take up the job of drafting terms and conditions in plain language, if so desired by the companies.

Sri G.Krishnamurthy, Chairman LIC (Rtd) and former Insurance Ombudsman, Technical Advisor to Consumers Association of India, summed up the deliberations and also delivered the valedictory address. He stated that the deliberations of the seminar have to naturally lead to an action plan and it would therefore be necessary to think of concrete steps to be taken by the insurance companies and the Regulator, to achieve the objective of ensuring that the rights and obligations of the stakeholders are properly implemented. With more than 700 products and 200 riders, the question before the insuring public, is which product to buy and from which company. Even after segmenting the products as term, whole life, endowment, pensions, health, etc., the policy holder is confronted by plethora of products. Absence of vernacular documents and unclear tax laws, make the selection of products and company difficult. He, therefore, suggested that as in the case of other financial instruments, the insurance proposal also should contain information with a view to helping the proponent to make an informed decision, while taking a policy with a particular insurance company. This could be service level indicators such as number of

claims repudiated, percentage of lapses, percentage of outstanding claims, number of grievances received and their pendency and Awards of ombudsman given in favour of the company and the clients. The Protection of Policyholders Regulations, has to be given wide publicity to make the policyholders aware of their rights and responsibilities and the IRDA should conduct inspections to monitor implementation of the regulations by the companies. The outcome of such inspections should be published in the IRDA report. Referring to the large number of repudiations and the huge number of claims outstanding, Sri Krishnamurthy stated that although the industry average in these areas was low, the results varied from company to company. It was as high as 38% in respect of repudiation and 11%, in respect of outstanding claims. He also stated that the IRDA Report gave out only the number of grievances received at the IRDA and not the complaints received at the various offices of the insurance companies. It is also necessary, he said to give publicity to the institution of insurance ombudsman, as not all claimers whose claims were repudiated, seemed to approach the Ombudsman, for relief. It was also his experience as was stated by Mr. Sridhar, that the insurance companies harp on laws and the claimants plead for mercy. With a view to making the companies more alert on claim settlement operations, he suggested that the Ombudsman may be entrusted with the power to award compensation for mental agony and expenses. The scope also could be widened by the IRDA, to include non payment of interest for delayed payment of claims. Speaking on the initiatives taken in the area of plain language in insurance policies, Sri Krishnamurthy said that the earlier initiatives had not been

taken forward. The circular of IRDA dated 26th February 2001, advising the insurance companies to explain products in simple language and draft the policy terms and conditions in plain language, needed to be followed up. It is in the interest of the insurance companies to have policies in plain language, as evidences point out that wherever the plain language was used, the business had increased. While he exhorted the companies to move forward in this area and utilize the services of professional plain language writers, to redraft the policies of these products. He also stated that plain language should not become too plain, but a balance has to be struck between legal requirements and customer understanding. He suggested the Life Insurance Council could be entrusted with the responsibility of approving plain language policies, before they are issued. He drew the attention of the house to the offer made by Sri Desikan, that CAI can take up the job of writing in plain language.

The seminar came to close with Ms.Yegnapriya Bharath , Officer on Special Duty, IRDA, proposing the vote of thanks.